Austria	Sch 20	Indonesia	Rp 2500	Philippines	Pes 20
Bahrain	Din 0.650	Israel	NIS 3.50	Portugal	Esc 90
Belgium	BFr 45	Italy	L 1500	S. Arabia	Rls 6.00
Canada	C$1.00	Japan	Y650	Singapore	S$4.10
Cyprus	C£0.70	Jordan	Fils 500	Spain	Pta 125
Denmark	Dkr 8.00	Kuwait	Fils 500	Sri Lanka	Rup 30
Egypt	E£1.00	Lebanon	L£ 15.00	Sweden	Skr 7.00
Finland	Fmk 6.50	Luxembourg	LFr 45	Switzerland	SFr 2.20
France	Fr 5.00	Malaysia	Rkt 4.25	Taiwan	NT$65
Germany	DM 2.20	Mexico	Pes 300	Tunisia	Din 1.375
Greece	Dr 80	Morocco	Dh 8.00	Turkey	L 350
Hong Kong	HK$ 12	Netherlands	Fl 2.75	UAE	Dh 6.50
India	Rup 15	Norway	Nkr 7.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,016 — Wednesday August 27 1986 — D 8523 B

Japan becomes part of Europe's business scene, Page 8

World news — Business summary

Fresh US call for Libyan sanctions

The US is again to ask its allies to impose economic and diplomatic sanctions against Libya, according to the Reagan Administration.

The request is to be conveyed by Mr Vernon Walters, US ambassador to the United Nations, who is to visit Western European capitals in the next few days.

Mr Walters' trip follows a fresh round of warnings by the US that Colonel Muammer Gadaffi, the Libyan leader, may be planning a wave of terrorist attacks on American targets in Europe – a move that would prompt US military retaliation.

Oil rigs bombed

Two Iraqi oil platforms in the northern Gulf were bombed by Iranian aircraft and suffered substantial damage, Iranian news agency said. Fighter aircraft, Page 2

Cameroon death toll

One thousand five hundred people are estimated to have died in Cameroon from the effects of toxic gas which escaped from a remote volcanic lake in the north-west of the country. International relief efforts have been stepped up as fears grow for the lives of many other villagers. Page 2

Links restored

Israel and Cameroon renewed diplomatic relations after a 13-year break.

Seoul reshuffle

South Korean President Chun Doo Hwan reshuffled his cabinet following opposition demands that all ministers should resign for what it called misrule and lack of democracy. Page 3

Nicaragua move

Nicaragua pressed ahead with moves to take over a Third World leadership role despite pleas to preserve unity at the non-aligned movement summit in Harare.

Divestment bill

The California Senate approved a bill that would divest $10bn of state holdings in companies that do business with South Africa.

Thatcher accepts

British Prime Minister Margaret Thatcher accepted an invitation from Mikhail Gorbachev to visit Moscow. No date was set.

Nuclear safety alert

Spain's state Nuclear Safety Council ordered a temporary shutdown of one of the country's nuclear plants after detecting valve malfunctions.

Border delays

Traffic jams built up at the Spanish town of Irun on the French border as Spanish police staged a work-to-rule strike over what they said was a staff shortage.

Cargo ship sinks

A Polish cargo ship sank off the coast of Brittany after its cargo shifted during a storm. Thirty-one crew members were rescued.

Floods hit Dublin

Thousands of people were forced to flee their homes as floods hit the Dublin area after two days of torrential rain and gale-force winds.

Kasparov draws

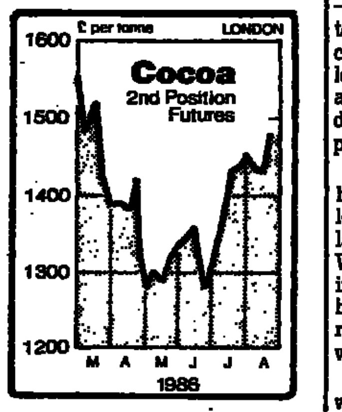
The 11th game of the world chess championship in London between challenger Anatoly Karpov and champion Garry Kasparov ended in a draw after a fierce struggle which most experts rated the best contest so far.

Bayer lifts profits on lower turnover

BAYER, West German chemicals group, lifted first-half profits by 0.9 per cent to DM 1.74bn ($853m) despite a 12.2 per cent drop in turnover to DM 21.59bn because of the weaker dollar. Page 11

TEXAS, reeling from the impact of the collapse of oil prices, cleared the way for the passage of an interstate banking measure which will allow out-of-state banks to acquire financial institutions facing difficulties.

LONDON COCOA futures market leapt to its highest level since March with the key December contract rising £31 to close at £1,481.50 a tonne. Page 22



GOLD fell 50 cents to $382.375 on the London bullion market. It rose in Zurich to $380.75 from $380.25. In New York the December Comex settlement was $385.60. Page 22

DOLLAR closed in New York at DM 2.0565; SFr 1.6595; FFr 6.7350 and Y155.40. It rose in London to DM 2.0495 (DM 2.0445); FFr 6.7150 (FFr 6.6950); SFr 1.6520 (SFr 1.6510) and Y154.95 (Y153.35). On Bank of England figures the dollar's index rose to 110.8 from 110.3. Page 23

STERLING closed in New York at $1.4805. It fell in London to $1.4835 ($1.4875) and SFr 2.4500 (SFr 2.4550). It rose to FFr 9.9625 (FFr 9.9575) and Y229.75 (Y228.00), but was unchanged at DM 3.04. The pound's exchange rate index rose 0.1 to 71.1. Page 23

WALL STREET: The Dow Jones industrial average closed 32.48 up at 1,904.25. Page 30

LONDON: Equities advanced on rate speculation and gilts also rose. The FT Ordinary share index added 5.4 to 1,278.6 and the FT-SE 100 gained 9.1 to 1,616.2. Page 30

TOKYO: Stocks rose on lower rate hopes and turnover swelled. The Nikkei average rose 75.22 to 18,640.83 after gaining 205 at one stage. Page 30

ABBEY National Building Society, UK mortgage lender, launched largest ever sterling Eurobond, a £500m ($749m) issue which met a cautious welcome in the market. Page 10

MONTEDISON, the Italian chemicals group, and Mr Refaat El-Sayed, chief executive and majority shareholder in Fermenta, the Swedish chemicals and biotechnology group, said negotiations for a takeover of Fermenta by Montedison were continuing despite the rejection of the deal by trade unions. Page 11

TAYLOR WOODROW, UK engineering, construction and property group, lifted pre-tax profits to £20.05m ($30m) in the first half of 1986 against £19.53m, despite a downturn in overseas construction volume. Lex, Page 10; details, Page 14

HONGKONG and Shanghai Banking Corporation increased attributable net profit by 7.9 per cent to HK$1.19bn in the first half of 1986 against HK$1.1bn. Page 13

AMERICAN BRANDS, the third largest US tobacco company which also owns Gallaher in the UK, announced a major rationalisation of its worldwide manufacturing operations involving a writeoff of $100m and job losses in Belfast and North Carolina. Page 7; Page 10

Cut in US prime rate fuels strong rally on Wall St

BY ANATOLE KALETSKY IN NEW YORK

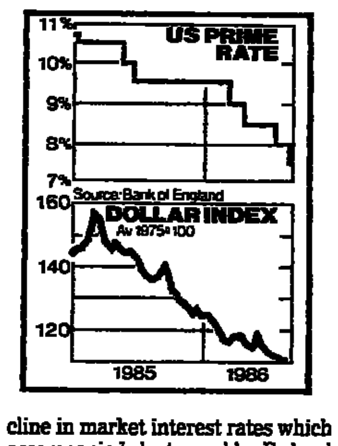
LEADING US banks cut their prime lending rate from 8 per cent to 7½ per cent yesterday, unleashing a powerful rally on Wall Street

The Dow Jones industrial average closed 32.48 up at 1,904.25, just short of the peak of 1,909.03 it hit on July 2. However, the broader stock indices managed to set new highs. The Standard and Poors 500 closed at 252.84 against a previous record of 252.70 in early July and the New York Stock Exchange composite index set a new record of 145.16 on heavy trading volume

Yesterday's cuts in the prime rate – the benchmark used by the banks to set the borrowing rates for their corporate customers – followed the lead given a week ago by the Federal Reserve Board, when it cut its discount rate from 6 per cent to 5½ per cent.

The prime and the discount rates have now both fallen to their lowest levels since October 1977, but speculation is already intensifying on Wall Street that a further reduction in interest rates could be on the horizon if the US economy's growth rate fails to accelerate significantly within the next few months.

Although the cut in prime rate was widely expected, after the decline in market interest rates which accompanied last week's Federal Reserve action, it gave the equity market an excuse for a strong rebound after Monday's technical correction.



Analysts generally remain sceptical about the chances of a marred strengthening of the US economy in response to the decline in interest rates. But the pessimism on economic growth shows few signs of dampening investors' enthusiasm for equities, which is based on hopes of even lower bond yields and interest rates in the months ahead.

The response to lower US interest from other leading industrialised nations is a particularly important factor in the market's new found confidence. US investors are increasingly convinced that Germany, and possibly Japan, will follow the Fed's easing of monetary policy with cuts in their own key interest rates.

The strengthening of the bond market yesterday, with the Treasury's bellwether long bond rising by about ½ point at lunchtime to 100%, reflected the market's growing conviction that this would set the stage for a further round of interest rate reductions without an excessive fall in the dollar.

George Graham in London writes: On the foreign exchanges, the D-Mark continued to strengthen as investors anticipated a cut in interest rates by the Bundesbank in the wake of last week's US discount rate cut.

The Bundesbank is expected to remain reluctant to cut rates on domestic economic grounds. Growth in output has strengthened and central bank money stock, the main monetary aggregate monitored in West Germany, is growing consid-

Continued on Page 10
Money markets, Page 23

Tan gets two-year jail term over Pan Electric

By Wong Sulong in Kuala Lumpur

MR TAN KOON SWAN, the Malaysian businessman and politician, was sentenced yesterday to two years in prison on a charge relating to share dealings in Pan-Electric Industries, the Singapore marine salvage, engineering and hotel group which collapsed last November owing $180m.

A Singapore high court imposed the sentence on Mr Tan for abetting criminal breach of trust. He was also fined S$ 500,000 ($233,000).

The sentence is expected to have serious implications for the future of Mr Tan and his Malaysian Chinese Association, a major prop of the Malaysian government coalition.

Mr Tan, 45, who had earlier pleaded guilty to the charge, was visibly shocked at the gravity of the sentence, as were many of his supporters in Kuala Lumpur and Singapore. They had expected the court to impose only a heavy fine on Mr Tan, who had already promised to make financial restitution to Pan-Electric Industries. He had also taken over some forward share contract obligations from the company.

The crisis following the collapse of Pan-Electric forced a three-day suspension of the Singapore and Kuala Lumpur stock markets.

After the court sentence yesterday, Mr Tan was taken to Changi prison. His lawyer said he would appeal against the sentence and against the judge's refusal to grant bail.

In passing sentence, Mr Justice Lai Kew Chai said the public interest plainly required that the accused should receive a punishment which would not only fit the crime, but would also act as a deterrent. He said Mr Tan's crime struck at the very heart of the integrity, reputation and confidence of Singapore as a commercial and financial centre.

The conviction is related to a series of complicated share deals which Mr Tan engineered to gain control of Pan-Electric, and to create an artificial market demand to raise share prices of Pan-Electric, Grand United Holdings (his master company) and its subsidiaries.

Unless Mr Tan can convince the Singapore Supreme Court to reverse the prison sentence, his political and financial future is now in grave jeopardy. As well as being president of the Malaysian Chinese

Continued on Page 10
Singapore sharemarket report, Page 30

Banking curbs 'damaging South Africa'

BY ANTHONY ROBINSON IN PRETORIA

FINANCIAL SANCTIONS by "misinformed foreign investors" and foreign banks over the past 18 months had damaged South Africa's economy more than threatened trade sanctions were likely to do, said Dr Gerhard de Kock yesterday in his annual address as governor of the Reserve Bank.

"These sanctions have not resulted from conscious decisions by governments or legislatures but from the deterioration in overseas perceptions of South Africa's socio-political situation. Misinformed as foreign investors, bankers and businessmen undoubtedly are, they are clearly plagued by uncertainty and concern over South Africa's domestic political problems. On balance, they have therefore been withdrawing capital and credits," he said.

The problem had been exacerbated by the fact that "for political reasons South Africa is not only denied normal access to credits from international financial institutions and central banks, but is also required to repay credits to the International Monetary Fund," he added.

The result of such financial sanctions was that South Africa suffered from "a weaker exchange rate, a higher level of interest rates, a higher inflation rate and lower rate of economic growth than would otherwise have prevailed."

"As long as the capital flow continues, South Africa will have no choice but to run a large current account surplus. This is what we did in 1985, what we are doing again in 1986 and what we shall continue to do in 1987." Dr de Kock revealed that between the end of 1984 and August 22 this year, South Africa had repaid nearly $3bn of foreign debt.

Nearly a year had passed since South Africa imposed a partial "debt standstill" on $14bn of the total foreign debt of $23.7bn and reintroduced the two-tier financial and commercial rand system in September 1985.

Dr de Kock denied that South Africa had borrowed too much. "Total interest and divided payments to the rest of the world amounted to only about 13 per cent of exports of goods and services in 1985. This ratio is not only relatively low but has also remained within a range of between 10 and 13 per cent since 1946," he added.

In a reference to the difficulties faced by Nedbank and other commercial banks when the "debt standstill" was introduced, Dr de Kock admitted that the monetary authorities had erred by allowing "maturity mismatching" and the related practice of maintaining excessive uncovered foreign exchange positions.

"When the banks were suddenly denied adequate access to foreign credits these cracks in the wall were exposed. For these unsound banking practices, improper bank

Continued on Page 10

Texas Air takeover of Eastern in jeopardy

BY WILLIAM HALL AND PAUL TAYLOR IN NEW YORK

THE US Transportation Department yesterday blocked Texas Air's proposed $600m acquisition of troubled Eastern Airlines in a surprise move which throws into doubt a deal which would have created the country's largest air carrier. The move provoked an immediate angry response from Texas Air, which said it was "amazed at this order which strains credibility."

The decision respresents a potentially serious setback for Texas Air and Eastern, and at least a temporary about-face by the Transportation Department which just two months ago gave the merger tentative approval providing certain conditions were met.

These conditions mostly related to competition on the lucrative East Coast "shuttle" route where Texas Air's New York Air subsidiary competes directly with the Eastern shuttle on the New York to Boston and Washington routes. Texas Air had proposed selling off some of New York Air's takeoff and landing slots to Pan Am in order to meet US justice and transportation department concerns about this aspect of the planned merger.

However, the Transportation Department said yesterday that it did not believe the solution proposed by Texas Air to solve the competitive problems in the north-east "was sufficient to allow the merger to go through." But the Transportation Department did leave open the possibility of Texas Air submitting a new merger proposal, and said it would be "likely approved" if the north-east competitive problems were resolved.

In its response, Texas Air strongly disputed the department's rationale. It said the north-east "appears to be the only market in America where the DoT has decided to guarantee a level of service far above what competition requires and that is absolutely contrary to the letter and spirit of deregulation."

Texas Air said it believed the Transportation Department was in error, but added that it was studying its options and was confident the merger with Eastern would be completed quickly.

Eastern Airline's share price closed on Wall Street $⅝ down at $8¾, while Texas Air's stock dropped $½ to $29.

Most analysts agreed yesterday that they still expect Texas Air to come forward with revised proposals acceptable to the Transportation Department and that the deal will go through eventually.

Nevertheless, the Transportation Department's decision does appear to confirm a recent subtle shift in the Reagan Administration's anti-trust policy which had until recently been widely characterised as highly permissive. The Transportation Department in particular has been criticised by some for being too lenient in its approach to the current wave of consolidation in the US airline industry.

As a result, some US anti-trust lawyers have suggested that Administration anti-trust policy has recently become slightly more restrictive and more responsive to public concerns.

Paris to cut budget deficit by FFr 15bn

BY DAVID HOUSEGO IN PARIS

MR EDOUARD BALLADUR, the French Finance Minister, yesterday took advantage of the recent batch of more favourable economic results to announce a more precise timetable for phasing out foreign exchange and price controls before the end of the year.

He also confirmed that the 1987 budget, which is to be presented to the Cabinet next month, is being built around a FFr 15bn cut in the deficit to FFr 129bn–FFr 130bn ($19.4bn). He said that the Government planned tax cuts of FFr 25bn to FFr 27bn, to be spread about evenly between households and companies. The exact split is yet to be decided.

On the lifting of the remaining foreign exchange controls, Mr Balladur said that he expected to announce further measures towards the end of September, including permission for French residents to open accounts in foreign exchange.

He also said that he envisaged four steps of equal importance in the last three months of this year to do away with the remaining 20–25 per cent of price controls that still exist. Most of these apply to services.

Mr Balladur also announced that the French system of rationing bank credit through the system of *encadrement* would also be phased out by the end of the year.

The Finance Minister has been encouraged to make these specific commitments by more promising figures on recent inflation, trade and growth. The year-on-year infla-

Continued on Page 10
Communist protests, Page 2

Tokyo warned that economy may have entered recession

BY IAN RODGER IN TOKYO

JAPAN's Economic Planning Agency said yesterday that the country's economy had stagnated and perhaps entered a recessionary phase because of the impact of the high yen. The EPA's gloomy view will increase pressure on the Government to provide a major stimulus to the economy in the autumn supplementary budget.

The EPA makes a regular monthly presentation on the economy to the Cabinet. Its view this month represents a clear change from that in July when it was still claiming that the economy was growing, although at a much reduced rate.

The change brings the agency in line with many private forecasters who have predicted recently that growth this year may be lower than 2 per cent against last year's 4.5 per cent rate.

After yesterday's meeting, Mr Kiichi Miyazawa, the Finance Minister, said that the supplementary budget would be presented late in October. He indicated that some of the profits from the privatisation of NTT, the national telecommunications agency, might be used to finance increased government spending.

The FPA cited the declining volume and yen value of exports, a slowdown in manufacturing investment and a worsening employment trend as reasons for its view that the economy had stagnated.

An agency official was not prepared, however, to say that the economy was definitely in recession. He said that some sectors in the economy, notably consumer spending and investment by non-manufacturing industries, were continuing to show resistance to the downward trend.

The Long-Term Credit Bank of Japan forecast yesterday that non-manufacturing investment would rise by 13.4 per cent this year, more than offsetting the 5.1 per cent decline it expects in manufacturing investments.

Japan's GNP dropped 0.5 per cent in the first quarter of this year. Most economists believe there was an upturn in the second quarter, but that the high value of the yen has been causing increasing damage in the current quarter.

Photocopier dumping dispute, Page 4; Feature, Page 8; Editorial comment, Page 8

CONTENTS

FitzGerald threatened by 'Hurricane Charlie'

The Irish Prime Minister faces more than just a hefty bill for storm damage when he returns today from a Cyprus holiday he cut short, writes Hugh Carnegy. Political defections could force him to call a general election a year early and the public opinion polls are far from favourable

DR GARRETT FITZGERALD, the Irish Prime Minister, is flying home early from a holiday in Cyprus today to take charge of the country after the battering it received as the tailend of "Hurricane Charley" swept in from the Atlantic on Monday and yesterday.

Government spokesmen said Dr Fitzgerald wanted to be present at an emergency Cabinet meeting called for tomorrow to discuss the widespread damage caused by the storm which killed three people and left 25,000 homes without electricity.

In particular, the Cabinet is to consider aid for the beleaguered farm sector. The gales and lashing rain capped two summers of disastrous weather and falling incomes for Irish farmers who face a ruined cereal crop and severe fodder shortages. The tourism and peat industries were also badly hit.

Clearly, though, the Prime Minister's return also gives him an early chance to try to control a quite different "Hurricane Charlie" — the deteriorating political outlook for his Fine Gael-Labour Government which many commentators in Dublin expect will culminate in an autumn election and the return of Mr Charles Haughey's Fianna Fail party to government.

The coalition's full term is not due to end until November 1987 but the prospect of a much earlier general election has gained increasing currency during Dr FitzGerald's absence.

Some of this may be put down, as government spokesmen insist, to "silly season" exaggeration by newspapers. Nonetheless, recent political developments have combined to cut the ground from under the coalition.

The Government's position in the Dail (Lower House) when Parliament returns in October now looks to be under threat. Fine Gael and Labour, with 68 and 14 seats respectively, hold a majority over all opposition parties only because of the Speaker's casting vote. One vacant seat is almost certain to return a Fianna Fail MP, although the Government intends to delay the by-election.

Prior to the summer recess, the real position was not as close as the figures suggested because the five members from the new Progressive Democrats, formed late last year by a group of Fianna Fail dissidents, tended to vote with the Government.

Last week, however, Mr Des O'Malley, leader of the Progressive Democrats, announced that he and his colleagues would vote against the coalition in any vote of confidence.

On top of that, two former Labour ministers threatened to withdraw their support from the Government if their demands on two separate specific issues were not met. Mr Frank Cluskey is pressing for fuller disclosure of the circumstances behind the expensive collapse of Dublin Gas, the company supplying natural gas to the capital, and Mr Joe Bermingham wants a Government commitment to higher social welfare payments.

A Fine Gael backbencher has also pitched in with demands for aid to disadvantaged border areas. The atmosphere is becoming reminiscent of the days before the coalition took office when a succession of weak governments horse-traded with individual Dail members to stay in power.

Later this week, another difficulty faces the Government when Labour publishes a key policy document on its future attitude to a coalition role. It is not likely to recommend pulling out of the present Government, but the top-level commission which drafted the document, including Mr Dick Spring, the Deputy Prime Minister and Labour leader, is expected to lay down conditions for future participation which will virtually rule Labour out of office for some years.

That may seem a strange attitude for any political party, but there is a strong feeling in Labour that its dwindling support in public opinion polls—now well below 10 per cent—is due to its association with unpopular deflationary policies and it wants a period in opposition to re-establish its identity.

As unemployment of around 18 per cent and massive budget deficits continue to dominate a frustratingly unresponsive economy, Labour members have become increasingly divided from their Fine Gael partners on how to cope. Senior Labour figures acknowledge that government stability is seriously threatened by the prospect of trying to agree next January's budget when more public spending cuts look inevitable, especially as Fine Gael would like to get some cuts in the draconian tax regime before an election.

Waiting in the wings is Fianna Fail, the biggest party in the Dail with 71 seats and a public opinion showing which indicates the party would win a poll majority. Mr Haughey has been conspicuous by his silence this summer, apparently content that events are running his way.

Two options have been canvassed for Dr Fitzgerald. One is that he should call an election before the Dail resumes. The other is to gamble on an early confidence vote. Victory would probably allow the government to soldier on until next summer, its preferred election time.

Avoiding an election this autumn would at least allow Dr Fitzgerald to oversee the running of the Anglo-Irish agreement beyond its first anniversary in November.

Cameroon toxic gas death toll put at more than 1,500

THE OFFICIAL death toll in the Cameroon toxic gas disaster has risen to 1,534 from earlier estimates of about 1,200 deaths, the UN Disaster Relief Agency said yesterday, AP reports from Geneva.

The new figure was given by the Government in Yaounde and cross-checked by UN representatives in the Cameroon capital with estimates from private relief agencies, said Mr Erik Haegglund, the official directing the relief effort at the Geneva-based office of the UN co-ordinator for disaster relief. He said the agency believed about 20,000 people were affected by the disaster.

A Dutch priest who visited three villages devastated by the gas leak said the scene looked as if it had been hit by a neutron bomb, French news reports said yesterday.

Mr Fred Tern Horn, from a Catholic mission in the town of Wum, about 20 miles from Lake Nios in north-western Cameroon where the disaster occurred, reached the stricken region on Saturday.

"It was as if a neutron bomb had exploded, destroying nothing but killing all life," Mr Horn was quoted as saying. "In the first village we went through, we saw men, women and animals stretched out dead on the ground, sometimes in front of their huts or in their beds, sometimes on the path."

Survivors said they were suffering from burning in their chests, apparently as a result of breathing the toxic fumes, he was quoted as saying. Others said the disaster began with a loud explosion, followed by a horrible odour of rotten eggs, a characteristic of hydrogen sulphide.

Reuter adds from Yaounde: American and French gas and volcano experts were yesterday due on the scene to seek the exact cause of the disaster.

A British geologist, Mr Godfrey Fitton, said the leak was caused by carbon dioxide gas being suddenly released after building up in the lake bed. American experts, however, were quoted as saying that an earthquake and landslide in the lake had mixed bottom sediments in such a way as to produce cyanide gas.

Aid and expert advice from Britain, Spain, West Germany, Switzerland, Japan, France and the UN was yesterday promised to the disaster victims.

● Israel and Cameroon restored relations yesterday after a 13-year break, during an official visit to the country by Mr Shimon Peres, the Israeli Prime Minister.

W German Social Democrats close ranks behind Rau

BY PETER BRUCE IN NUREMBERG

WEST GERMANY'S factious Social Democrat (SPD) opposition party yesterday finally closed ranks behind Mr Johannes Rau, the man who will challenge Chancellor Helmut Kohl for the chancellorship in next January's general election.

Rising to Mr Rau's emotional appeal for unity, more than 400 delegates at the SPD's pre-election conference here gave the challenger, who, along with the rest of the party, has slipped badly in recent polls, a standing ovation after his two-hour keynote address.

Promising to scrap the Kohl Government's agreement with Washington over West German participation in the Strategic Defence Initiative (SDI) research programme, and to cut defence spending by around 10 per cent if he came to power, Mr Rau conceded that the party was nevertheless some way off its prime election target—an overall parliamentary majority.

Accompanied by a sustained attack on the Government's economic record, particularly its failure to lower unemployment, Mr Rau unveiled a string of policy initiatives to boost the economy. These will form the basis of the SPD's election campaign in the 151 days left before the polls.

He promised to scrap a bitterly fought strengthening of West Germany's strike law and recommitted the party to a gradual scaling-down of the country's nuclear power programme. No more nuclear power stations would be built under the SPD.

It is also clear that the SPD is going to make a major drive for women's votes in the next five months. Calling women "the main victims of the (present) conservative Government," Mr Rau promised an enforceable equal opportunities programme and he committed himself to spending more money on educational grants to the children of poor families.

Mr Rau's two-hour speech won a standing ovation.

Criticising the Government's much heralded DM 20bn (£6.5bn) two-phase tax reform programme as a sop to the rich, he said an SPD government would restructure the second DM 10bn phase of the programme in 1988, raising the threshold beyond which tax has to be paid but also increasing payable tax. For a limited time, he said, high earners would also be required to pay a levy to help ease youth unemployment.

Mr Rau made concessions to the aged, to farmers and, in a key attempt to draw votes away from the Free Democrats (FDP), junior partners in Mr Kohl's coalition, promised small and medium-sized businesses tax breaks to encourage investment.

He attacked what he called the "rapidly growing economic power" of the country's big banks and, reflecting a row between left and right in the SPD over economic policy, insisted that the state could and should create more competition in industry, limit the formation of cartels and promote individual initiative and innovation.

Also reflecting the fact that the party is most vulnerable electorally on its defence and security policies, Mr Rau was careful not to be too precise beyond promising to scrap the SDI agreement and to cut defence spending to its 1982 level.

Saying he was "a friend of America" but that in the US "subservience wins only subtle contempt," he called for the removal, without making clear over what period, of all US Pershing 2 and cruise missiles from West German soil. He also urged the Soviet Union to respond by reducing its SS20 missiles in Central Europe "at least" to the levels of 1979.

Anger at French poll proposals

By David Housego in Paris

THE FRENCH Communist Party, already rocked by the steady erosion of its popular support, has protested at the Government's proposals for redrawing parliamentary constituency boundaries.

A front-page headline in L'Humanite, the party's daily newspaper, yesterday accused the Government of "throwing the principles of universal suffrage to the flames to weaken the Communist party." An equally strongly worded editorial inside said that the effect of the draft proposals would be to "rob the Communist party of a third of its seats without the loss of a single vote."

The redrawing of parliamentary boundaries is in the context of the Government's planned shift back to a system of single seat majority voting from the proportional representation that President Francois Mitterrand introduced for last March's general election.

In effect, the Government's calculations are that if the new system had been in force in March, the Communists would have won only 20-23 seats in the National Assembly compared with the 35 they now hold.

If the 1981 boundaries had been retained under a system of single-seat majority voting, the Communists would have won only 13 seats.

The Communists, however, stand to suffer far less than the extreme right-wing National Front which would be virtually wiped out in Parliament. Its representation in the Assembly would drop to one or two, from 35.

The new constituency boundaries are being scrutinised by the *Conseil d'Etat*—the judicial body charged with reviewing legislation — before being put to the Constitutional Council. After that, President Mitterrand has the difficult decision of either signing the decree putting them into effect or risking a serious political conflict by refusing.

Communist accusations of gerrymandering have been sharpened by fears that their strength in the Senate will also be diminished next month when a proportion of seats are up for renewal through indirect election.

The National Assembly constituency proposals would give the parliamentary right a solid majority of some 30 seats on the basis of last March's results. They would also give Mr Jacques Chirac's neo-Gaullist RPR a substantial lead over its centrist UDF partner.

Hawke urges support for budget

By Richard Hubbard in Canberra

THE Australian Government stepped up its campaign to win acceptance of its budget yesterday, warning business and unions that future growth and job prospects hinge on support for the tough economic measures it has proposed.

Addressing senior businessmen, Mr Bob Hawke, the Prime Minister, said last week's budget offered a real prospect for enhancing the long-term growth potential of the country through fiscal restraint and cost restraint.

The cuts to the public sector and the proposed discounting of future cost of living wage adjustments would free a higher proportion of domestic savings for investment and maintain Australia's enhanced competitive position, according to Mr Hawke.

Mr Hawke claimed that the centralised wage fixing system has in fact delivered a degree of real wage flexibility which few countries can match.

Over the past three years real wages have fallen 5 per cent in Australia, but in the US the fall was only 1 per cent and in the UK there was a real rise of 10 per cent.

Foreign exchange markets, jittery since the budget was released because of the strong critical reaction by many market commentators to the economic growth forecast, have been further unsettled by the arrival of a team of analysts from the US credit rating agency Moodys for discussion with senior government, Treasury and reserve bank officials.

Moodys is investigating whether Australia should lose its triple-A credit rating following the rise in the value of the country's external debt and the sharp drop in its export earnings potential.

Aquino to meet secessionist Moslem leader

Philippine President Corazon Aquino, at present on a South-east Asian tour, will meet Moslem secessionist leader Mr Nur Misuari in the southern Philippines next week as a prelude to peace talks on the long rebellion on Mindanao island, her brother-in-law Mr Agapito Aquino said yesterday, Reuter writes from Manila.

Kabul suitcase bomb

Sixteen people were killed on August 11 when a suitcase bomb exploded at the airport in Jalalabad east of the Afghanistan capital of Kabul, Western diplomats said yesterday, Reuter reports from Islamabad. The diplomats believed the device was planted by Moslem rebels fighting Soviet-backed government forces.

18 die in Sri Lanka

At least 18 people have been killed in separatist violence in Sri Lanka in the past 24 hours as peace talks continued between the Government and Tamil moderates, security officials and residents said yesterday, Reuter writes from Colombo.

Thai debt move urged

Thailand's finance ministry has proposed that the Government reduce the country's foreign debt by lowering the annual ceiling on foreign borrowing to $1bn from $2.5bn, Mr Suprachai Panitchpak, the deputy Finance Minister, said yesterday, AP-DJ reports from Bangkok.

New Zealand growth

New Zealand's gross domestic product is likely to grow an average 2.9 per cent a year until 1995, the independent New Zealand Plannnig Council said in a report, Reuter reports from Wellington. The forecast, based on a computer model, reflects expectations of an annual 1.7 per cent increase in numbers employed and a 1.2 per cent rate of increase in annual output per person.

Swedish industry forecasts higher output and investment

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE SWEDISH economy will strengthen during the next 18 months, driven by rising industrial investment and higher industrial production, according to the Swedish Industry Federation. In an optimistic forecast it said that industrial investment is expected to rise by as much as 10 per cent next year after stagnating in 1986. Investment rose by some 16 per cent in both 1984 and 1985.

The growth of industrial production slowed last year with a rise in output of only 1.7 per cent after an average increase of 6 per cent in both 1983 and 1984. The Federation expects output to show a further rise of 2 per cent in 1986 and then accelerate next year with a volume growth of some 4 per cent.

The higher growth rates should be made possible by a combination of favourable factors, including lower oil prices, the development of more stable exchange rates and the fall in both interest rate levels and inflation.

The Federation expects Swedish interest rates to fall further during the autumn with a cut of one percentage point in the discount rate. It also recommends that industrial investment be stimulated by the freeing of corporate investment funds held by the central bank.

Industry's competitiveness has been strengthened by the considerable devaluation of the krona against the D-mark brought about by the effects on the Swedish currency basket of the fall of the US dollar. At the same time, the increase in labour costs is expected to slow in 1987 as a result of the two-year wage settlement agreed earlier this year.

Economic recovery is expected by the Federation to strengthen during 1987 with gross national product rising by some 2.5 per cent compared with 1.5 per cent in 1986 and 2.3 per cent in 1985.

The current account of the balance of payments is forecast to show a surplus in 1987 for the third time in four years. The inflation rate could have fallen by December to some 2.5 per cent, while the average for 1986 should be 4-4.5 per cent.

The more favourable outlook for industry is supported by the State Industry Board, which says that by 1987, for the first time in many years, as much as 70-80 per cent of Swedish industrial capacity will be able to show higher yields than investments in financial assets.

The shortage of skilled workers is one serious obstacle to faster industrial growth, however, and the Board calls for measures to encourage greater flexibility in the labour market as well as increased investment in education and training.

● New orders booked by Swedish companies rose by 8 per cent in the second quarter of 1986 compared with the same quarter a year earlier, according to the Central Office of Statistics.

Export orders were 18 per cent higher than a year earlier, while orders from the domestic market were virtually unchanged. Orders in the second quarter were also 14 per cent higher than in the first quarter of 1986.

Industrial production reached a new peak during the first six months of 1986. It showed an increase of 1.1 per cent compared with the second half of 1985 and was 1.4 per cent higher than in the first six months of 1985. Most of the increase this year occurred in the first quarter, however, and production fell by 1.7 per cent in the second quarter.

Polish farm fund stuck in a rut

By Leslie Colitt, recently in Warsaw

THE PROPOSED church-state agricultural foundation to modernise Polish farming has fallen victim to intense rivalry between the Catholic church and the communist authorities.

The foundation was proposed by Western churchmen in 1981 and $27m was committed by EEC governments and the US for a pilot project. Originally, it was envisioned that the church would collect $2bn in the West for the foundation to help more than 5m private Polish farmers.

But, after five years of negotiations between Polish government and church experts, the two sides have been unable to agree even the legal status for the foundation. Meanwhile, interest among Western churches and governments has waned.

Professor Witold Trzeciakowski, a member of the foundation's organising committee, said the talks were stalemated. The only hope left was that the Government might revive the idea in an attempt to win favour in the West.

Another recent proposal by the Polish leader, General Wojciech Jaruzelski, for a consultative council with members of the Catholic opposition has met with scepticism. Prominent Catholic intellectuals, who represent the most influential opposition in Poland, said the authorities appeared to want a dialogue with people of other persuasions who did not represent any popular organisations, such as the banned Solidarity union.

One prominent Catholic layman asked how opposition representatives on a consultative council could speak for anyone if they were not duly elected. "If the General wants a dialogue with society," he noted, "then he can talk with Lech Walesa."

David Fishlock reports from Vienna on the IAEA 'post-mortem'

Chernobyl speeds safety accords

TWO NEW international conventions on nuclear power safety have been agreed in only four weeks, where before the Chernobyl disaster they might have taken as many years.

Chernobyl has given a fillip to an area of activity of the International Atomic Energy Agency in Vienna which previously was overshadowed by its preoccupation with nuclear weapon proliferation, or nuclear safeguards.

The latter are designed to prevent the use of civil nuclear facilities for making nuclear weapons, and to reassure other nations that there is no clandestine contravention of the Non-Proliferation Treaty. Nuclear safety, by contrast, is concerned with the hazards of nuclear activities, for the practitioners and for the public generally.

The Chernobyl accident, from which 31 people died and 203 are suffering from radiation sickness, is by far the most serious nuclear accident known to the IAEA. Radiation from the ruptured reactor spread across Europe with unexpected speed and has raised the background level of radiation worldwide. Some areas, such as Lapland, are reporting serious social and economic consequences.

"Nuclear clouds do not respect national boundaries," said Dr Hans Blix, the agency's director general and one of three of its top officials invited to Moscow immediately after the accident.

The Soviet authorities, who initially denied that any accident had occurred, bowed within hours to the evidence reaching neighbouring nations, such as Sweden and Finland. Within days Moscow was urging international co-operation and offering full participation.

The accident illuminated two urgent requirements: international agreement on early warning for neighbouring nations of any accident which might have trans-boundary effects, and international machinery for emergency assistance in a nuclear or radiation accident.

THE PERMANENT entombment of the devastated Chernobyl reactor should be finished by early autumn, a Soviet nuclear expert said yesterday, David Fishlock reports.

For one operator, believed buried alive in the explosions which wrecked the reactor, it will be a grave. But control room staff who did not venture into the reactor hall to see what was happening were "in fine shape," the expert told a news conference on the second day of the international "post-mortem" on the accident.

The meeting, attended by more than 500 experts from 45 countries, has learned that serious design flaws must share the blame with errors and rule violations by the reactor operators.

Acadamician Valery Legasov said it was hoped that reactors one and two at Chernobyl will be back in service this year. But he could not say when reactor three—adjoining the stricken reactor—would re-enter service.

● Poland lost !6m in tourist revenues after some 40,000 visitors cancelled their trips following the Chernobyl disaster the Government has claimed, Reuter reports from Warsaw.

● Spain's state Nuclear Safety Council said yesterday it had ordered a temporary shutdown of the Asco 11 nuclear plant following valve malfunctions, Reuter reports from Madrid. Asco 11 is the newest of Spain's eight nuclear plants and is located in Tarrogona.

Draft conventions committing parties to provide early warning and details of nuclear accidents, and to endeavour to provide assistance, have just been agreed by 283 nuclear experts from 62 nations and ten international bodies, meeting in Vienna this month.

Texts of the two conventions go to the IAEA board of governors next month, and will then be debated by a special session of the agency's general conference on September 24. Also waiting final approval at that conference is a substantial increase in funds for its nuclear safety activities, an extra $2m on a budget of $6m previously earmarked for 1987. Nuclear safety is the division managed by Dr Morris Rosen, one of the three who visited the Soviet Union in May and flew over the re-sealed reactor.

Dr Rosen, a US physicist who has worked for the IAEA for ten years, has been promoted to an assistant director general in recognition of the newly acknowledged importance of international nuclear safety. Finance is no longer the limitation — it is availability of experienced staff, he says.

One of the most convincing illustrations of change will be when IAEA member-states with highly-developed nuclear technologies admit Dr Rosen's safety inspectors to "audit" their nuclear activities, as is done by IAEA safeguards inspectors in verifying that there has been no illicit diversion of nuclear materials.

In 1982, Dr Rosen began to form operational safety review teams (Osarts), to evaluate the safety strengths and weaknesses of nuclear plant. Each comprises a team of experienced professionals, often managers of other nuclear plants, with whom operators at the reactors they visit can discuss their jobs. Some are IAEA employees, some are engaged temporarily for the task.

There are 374 nuclear reactors known to the IAEA in operation around the world, and 157 under construction. When the IAEA is invited to audit a reactor, the team selected begins with its operating history and the plant routine, explores planning and preparation of future work, and verifies plans to cope with the unexpected and emergencies. All this is compared with practice elsewhere.

The Osart's inspection checks compliance with national laws for nuclear operations and identifies departures — good and bad — from practice elsewhere.

The US itself saw an urgent need to supplement routine inspection of its own reactors with such audits, following the accident at Three Mile Island in 1978. The Osart operation drew upon this US experience.

Initially, Osart invitations came from developing countries new to nuclear power. France was the first developed country to invite international inspection, last year, along with the Phillipines, Pakistan and Brazil.

The pace of the Osart programme is accelerating rapidly. Visits to Mexico and Finland have been made this year, and the Netherlands, West Germany and Sweden have all requested them. As many as 12 countries are expected to ask for Osarts next year, including the East bloc, Dr Rosen believes.

He expects the first to be Czechoslovakia, which operates five Soviet-designed reactors of the pressurised water type and has 11 more under construction. Within a year, Dr Rosen predicts, the Soviet Union with the world's third-largest nuclear power programme — after the US and France — will invite a visit from his inspectors.

Schlueter firm in face of poor trade figures

By Hilary Barnes in Copenhagen

DENMARK'S GOVERNMENT will not be panicked into measures to curb the growing current balance of payments deficit, Mr Poul Schlueter, the Prime Minister, said yesterday. A DKr 2.3bn (£200m) deficit for July caused a negative reaction on the Copenhagen Stock Exchange and in currency markets.

Mr Schlueter said the Government would put forward economic policy adjustments in October when Parliament reassembled. The aim would be to halt the rapid increase in private consumption and to improve the export outlook.

The July figure took the deficit for the first seven months to DKr 9.5bn compared with DKr 7bn in the same period last year. Imports in July were down from DKr 14bn last year to DKr 13.2bn taking imports for the first seven months to DKr 108.2bn compared with DKr 108.7bn last year. July exports were down from DKr 12.7bn to DKr 10.9bn, with exports for the year so far down from DKr 101.6bn to DKr 98.6bn.

The decline in exports reflects a fall in agricultural sales abroad by DKr 2bn to DKr 19.8bn, while exports of manufactures have increased from DKr 63.8bn to DKr 66.1bn.

China starts delivery of fighter aircraft to Iran

BY RICHARD JOHNS

IRAN has taken delivery recently of about one dozen Chinese built J-7 aircraft, the equivalent of the Soviet MiG 21, according to Western military observers.

They say that many more, perhaps as many as 100, may be "in the pipeline" but emphasise that it would take a minimum of six months and perhaps as long as a year before combat squadrons could be prepared to face Iraq in the Gulf conflict.

The J-7 is an improved version of the elderly MiG-21 which entered Soviet front-line service in the 1960s. Western military experts believe that it could be invaluable to Iran in confronting Iraq's air superiority and providing better cover for its much more numerous ground troops.

Whatever the delivery schedule, however, the aircraft would not necessarily be ready with trained air crew and maintenance teams even for an offensive next spring let alone the one expected in the next couple of months. Some 600,000 troops and Revolutionary Guards have already assembled on the Iranian side of the border.

The Washington Post yesterday quoted US officials as being concerned that China might give Iran a crucial edge in the war by supplying the Chinese version of the MiG 21, as well as heavy tanks and rocket launchers.

The officials were reported to have calculated that China had supplied $300m worth of missiles and other equipment to Iran in the last six months.

In the Gulf, meanwhile, a West German-operated tugboat, the 500-ton Adil Abu, was sunk last night in an Iraqi missile attack with the loss of four seamen including the West German engineer and three Filipinos.

● The Syrian Air Force has taken delivery of a small number of Soviet MiG-29 aircraft with which to begin training, according to the latest edition of Jane's Defence Weekly.

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FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

OVERSEAS NEWS

Buthelezi warns black civil war is brewing

By Anthony Robinson in Johannesburg

THE BLACK civil war which he had warned was brewing in South Africa was now a reality, Chief Gatsha Buthelezi, chief minister of the Kwazulu homeland and leader of some 6m Zulus, said yesterday in a comment on the murder last weekend of the wife of a member of the Kwazulu legislative assembly.

Mrs Evelyn Sabelo died and three of her four children were wounded in a handgrenade and machine-gun attack on their home in the Umlazi township near Durban believed to have been targeted on her husband Mr Winnington Sabelo who was absent at the time.

"I cannot see what can break the spiral of this violence in the light of the reluctance of those who have opted for violence to talk to us. I fear that the only language we can expect in the circumstances is that of the gun, grenades and bombs," Chief Buthelezi added.

Mrs Sabelo's death was the latest in a series of murders and violent clashes between supporters of the Zulu Inkatha movement and those of organisations connected to the United Democratic Front (UDF) who in turn charge Inkatha of launching punitive raids on UDF supporters in the area.

Meanwhile, the Bureau for Information, the sole source of official information on unrest since the state of emergency was declared on June 12, confirmed yesterday that a 22-year-old black man was shot dead and eight children were injured on Monday morning when police opened fire with birdshot and teargas on a crowd of 500 school children at a school in Soweto. According to the report, the incident occurred after children stoned a car in which four plain-clothes detectives were driving past the school.

Black schools in Soweto and other townships are currently in the midst of a boycott campaign aimed at securing the removal of armed police and troops from school premises.

● In Cape Town, a regional administrative council voted 11-3 yesterday to open all the Cape Peninsula beaches under its jurisdiction to people of all races, AP reports.

Multinationals challenge Pakistan on drugs

BY JOHN ELLIOTT IN KARACHI

MULTINATIONAL pharmaceutical companies have issued a public ultimatum to the Pakistan Government in uncharacteristically confrontational terms warning that they would encourage retail chemists to go "on strike" from next Monday unless they are allowed substantial increases in their retail prices.

A group of 25 of the companies, which are subsidiaries of European and US groups such as Wellcome, Boots, Hoechst and Parke Davie, last week published a large advertisement in local newspapers demanding a 30 per cent across-the-board price increase to compensate them for sharp falls in the value of the Pakistan rupee and for two 5 per cent tax surcharges on their products' imported ingredients.

Dr M. S. Habib, chairman of Wellcome Pakistan, who leads the group, has received signed letters from the 25 pledging they will cut their retailers' margins from 15 per cent to 7.5 per cent from September 1 unless price rises are approved.

The companies hope that this will induce the retailers to "strike" and refuse to handle their products. This would put pressure on the Government to sanction price increases to avoid shortages because the multinationals account for 80 per cent of the country's R4bn (£160m) pharmaceutical market.

"We will cut the margins further if necessary to 2½ per cent to make the chemists go on strike, or until the Ministry of Health settles with us," Dr Habib said in an interview yesterday. About half the companies were already making losses on their Pakistan balance sheets because price increases asked for on individual products over the past 18 months had not been allowed by the Ministry of Health. Others would go into losses next year.

It is unusual for multinationals to adopt such an aggressive and collective public posture. Their operations are often controversial, especially in developing countries. In Pakistan pharmaceutical concerns have been accused of making inflated profits by dumping outdated drugs through transfer pricing.

The companies usually keep a low profile and prefer to lobby governments behind the scenes. Significantly three companies—Glaxo, Roche and Ciba-Geigy—have not signed the ultimatum.

But in Pakistan many industries are finding it difficult to deal effectively with the Government of Mr Mohammad Khan Junejo, the Prime Minister. Businessmen say that ministers have little previous experience of economic and industrial matters.

The sharp fall in the rupee have also hit industry. The 25 companies' advertisement says the rupee had fallen against the major foreign currencies during the past few months to the extent of 40-50 per cent."

Population explosion is putting desert new towns at risk. **Tony Walker** reports

Nightmare for Egypt's urban planners

EGYPT'S population explosion is threatening to swamp an ambitious new cities programme designed to relieve pressures on existing urban centres. The new towns are planned to accommodate an extra 5m people by the year 2000 but, in the face of an accelerating birth rate, their impact on urban overcrowding is likely to be only marginal.

Recent official figures indicated Egypt's population had exceeded 50m and that 1m was to be added to the total every eight months. The rate of population increase is now about 3 per cent, compared with a previously estimated 2.7 per cent.

The population is expected to reach 70m to 80m by the end of the century with numbers in Cairo perhaps reaching 20m. These are the sort of figures likely to give Egypt's planners nightmares as they grapple with problems of providing sufficient housing and services for numbers that will double in the last quarter of this century.

A recent World Bank study, based on an optimistic estimate of Egypt's population reaching 66m by the year 2,000 at a rate of increase of 2.4 per cent, reported that planned improvements in urban services are "woefully inadequate to meet minimum service levels desired for Egypt's population."

The World Bank is dubious about Egyptian claims that nine planned new cities and satellite towns, plus the development of outlying regions, such as the Sinai, will ease urban pressures. "Even if implemented as planned, the free-standing new communities and remote areas will accommodate only a very small part (4 per cent) of the urban increment," it says.

"There is no escape from improving the functioning of these existing cities (Cairo and Alexandria) by strengthening their urban infrastructure and providing for their growth in efficient ways."

Egyptian planners recognise the problem of population explosion, but, threatened by a phenomenon they can do little about because of religious pressures (the Islamic trend is hostile to the birth control programme), they take refuge in optimistic statements about the benefits of a larger workforce.

"In the last five years, we have created places to accommodate 1,000 factories, plus accommodation for workers and facilities such as schools and services," said Mahmoud Nabih el Manskawi, deputy head of the New Urban Communities Authority. "I think this is a considerable contribution to solving the problem. On the other hand, I'm not afraid of the population increase. I'm more concerned about production itself."

At 10 Ramadan, the most advanced of the new cities, located in the desert about 30 km from Cairo towards the Suez Canal, real progress has been made in developing an infrastructure and attracting new industries.

Abdul Aziz Helmi, head of administration at 10 Ramadan, says 145 factories are in production, several of them joint ventures involving foreign companies. One hundred more are expected to go into production in the next six months and another 200 enterprises are conducting feasibility studies.

Many of these factories are small, but the response has exceeded expectations. Businessmen have seized opportunities at 10 Ramadan where tax incentives are available under various laws aimed at encouraging foreign and local investment.

Another reason for the good response to 10 Ramadan is that Egypt's cities are so overcrowded that little land is available for factories. Hard currency shortages and restrictions on imports of consumer items are also encouraging investors into manufacturing for the large local market.

Less successful has been 10 Ramadan's attempt to encourage private sector development of housing estates for workers. About 15,000 employees and their families are now living in the city, well short of a target this year of 50,000. By the year 2,000 the aim is to have 500,000 people living in the new desert town.

Other planned new cities, towns and estates include Sadat City between Cairo and Alexandria where several government ministries will be located, El Ameria near Alexandria, 15 May near Cairo and Damietta on the Mediterranean between Port Said and Alexandria.

The New Urban Communities Authority estimates total projected cost of the programme up to the year 2,000 at E£5.8bn ($4.3bn). Spending had reached E£1.5bn by last year.

The World Bank, in its recent study, identified various shortcomings of the new communities programme. These included:

● Development costs are high, relative to the numbers absorbed.

● The level of subsidies is much too high because of cheaply priced land, the high share of community facilities in total investments, too low densities, high standards for social infrastructure and housing (up to four times higher than at other locations), and heavy interest subsidies for housing.

● Managerial problems, such as the diversions of qualified technical personnel into the new communities programme from Cairo and Alexandria, the high costs of supervising contractors, and the scarcity of skilled construction workers.

". . . . New communities and remote areas are allocated too many resources in the (five-year) plan," said the World Bank. "Their development should be slowed and re-directed.

"The free-standing towns such as Ramadan are too far from metropolitan areas and are too high-cost relative to the population served. Spending on the new communities should be slowed and redirected to allocate more to towns close to existing cities (such as 15 May)."

Officials of the new communities programme vigorously defend it against this sort of criticism. "I don't think we can cope with population increases without implementing such a programme," said Mr Manskawi. "This is the only way to accommodate our population in the future."

Rush-hour traffic-jam in Rameses Street, Cairo.

S Korean strongman replaces 10 of 23 cabinet ministers

BY STEVEN B. BUTLER IN SEOUL

THE South Korean President, Mr Chun Doo-Hwan, yesterday initiated a radical reshuffle of his Cabinet, replacing 10 out of 23 ministers. The move was described as an effort to strengthen the Cabinet politically in order to pave the way for a constitutional amendment that will bring in a parliamentary system of government.

Mr Chun has left intact most of the economic portfolios, as well as the Prime Minister, and no dramatic departures in policy are expected. Mr Chun has shed several key political liabilities in the process.

The reshuffle follows by just several days a big shake-up in the leadership of the ruling Democratic Justice Party (DJP), and is evidently the Government's final move in preparations for expected gruelling negotiations with the opposition over revising the constitution. The opposition has been campaigning for several years for a direct election of the President, a system the Government strongly opposes.

Four of the new Cabinet appointees are current ruling party MPs, and one is a former MP. Mr Lee Jong-Ryool, a senior DJP official, said the appointment of current and former assembly representatives was designed to suggest the shape of a future cabinet responsibility system.

Mr Lee Won-Kyong was replaced as Foreign Minister by Mr Choi Kwang-Soo, a former career diplomat who served later in a variety of political posts and more recently as Ambassador to Saudi Arabia. Mr Lee's tenure as Foreign Minister, which lasted for nearly three years, is considered long in Korea.

Mr Kim Chung-Hoh, a ruling party MP with an earlier career as a government official, was appointed as Home Minister. The Home Minister in Korea is a powerful position, often reserved for a former military officer in the past, because of the control the minister has over the national police and all local government officials.

Mr Lee Won-Hong, the Minister of Culture and Information, also leaves under a cloud because of the burning of a national monument to independence, apparently the result of shoddy construction. Many political analysts believe Mr Lee was the president's single greatest political liability.

Outgoing ministers: Mr Lee Won-Kyung (above), the replaced Foreign Minister, and Mr Kum Jin-Ho, the former Trade Minister.

In his earlier tenure as president of the state-run Korea Broadcasting System, Mr Lee was accused of engineering heavily biased pro-government news reporting during the 1985 elections. Earlier this year, opposition leaders stormed the podium while he was testifying at the National Assembly, pushing him away from the microphone and accusing him of lying about government involvement in the forced resignation of a political cartoonist from a daily newspaper. He is replaced by Mr Lee Woong-Hee, president of the Munhwa Broadcasting Corporation.

Mr Kum Jin-Ho, the Trade Minister, has now been replaced by Mr Rha Woong-Bae, a business administration expert, who served briefly as Finance Minister in 1982.

US to try again for Libyan sanctions

BY REGINALD DALE, US EDITOR, IN WASHINGTON

THE US is once again to ask its allies to impose economic and diplomatic sanctions against Libya.

The request is to be conveyed by Mr Vernon Walters, the US ambassador to the United Nations, who is to visit West European capitals in the next few days.

Mr Walter's trip follows a new round of warnings by US officials that Col Muammer Gadaffi, the Libyan leader, may be planning terrorist attacks on American targets in Europe—a move that would invite prompt US military retaliation.

The Pentagon denied that the US was planning a "pre-emptive" strike against Libya, although contingency plans for such action have been laid for many months. The White House said that it would continue to keep "a close eye" on Col Gadaffi and reiterated its long standing determination to "employ all means" to prevent Libyan terrorism.

Officials said that detailed proposals on sanctions would not be ready before September. It was reported, however, that the Administration would ask allied governments to approve an extension of existing US sanctions to selected European subsidiaries of US companies that do most of their business in Libya.

Another possibility would be to ask the European countries to certify that refined oil products sent to the US were free of Libyan oil, a requirement that could cause considerable inconvenience, particularly to Italy and the Netherlands.

US officials argue that Washington is in a stronger position to ask for sanctions from its allies now that all US oil companies have pulled out of Libya at the administration's request. The continued presence of the oil companies, which ended on June 30, was one of the main arguments used by European governments in rejecting previous US requests that they join the sanctions effort.

Our Middle East Staff adds: Syria has promised Libya full backing in the event of another US attack. "Any aggression on Syria or Libya will be considered as an aggression on both," said a joint communique issued yesterday following talks between President Hafez Assad of Syria and Col Gadaffi.

"President Assad declared that Syria stands will all its potential by the side of Libya to counter any aggressive action and to face the threats of America, Zionism and its allies," the communique went on.

The two leaders held three sessions of talks in Benghazi on Sunday and Monday after Mr Assad had flown there on a visit which was not announced in advance but was clearly related to the US-Egyptian joint military manoeuvres near Libya.

In their communique Mr Assad and Col Gadaffi denounced the military exercises in Mediterranean waters adjacent to the Gulf of Sirte "because they violate the territory of the Arab nation and are a provocation for the Arab masses."

Privatisation is fast becoming an article of faith for Pinochet, Robert Graham reports

Chile embraces free market economy

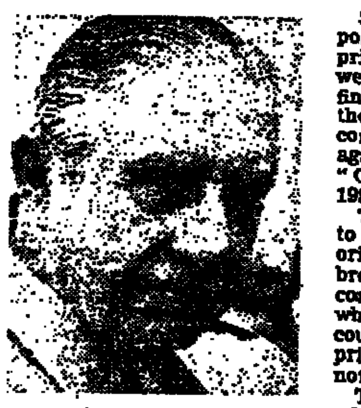
THROUGHOUT Latin America, privatisation has been incorporated into debt rescheduling deals and International Monetary Fund agreements as a means of reducing public sector debt. However, nowhere has the principle of privatisation been adopted so much as an article of economic principle and so fervently pursued in practice as in Chile.

The military government of General Augusto Pinochet has moved farther and faster than any other Latin American country, adopting elements of Thatcherism but also evolving specifically Chilean solutions to ferment wider share ownership and enshrine the principle of the dominant role of private enterprises.

The spirit of privatisation in Chile is a direct reflection of the continuing powerful influence of the Chicago school of free market economics. But at a deeper level it reflects General Pinochet's desire to move Chile irrevocably away from the socialist ideals of the Allende era.

"The most important aspect of privatisation is to encourage the idea of individual ownership and to move the economy away from socialism," says Major Jose Martinez Munoz, one of two people in charge of the privatisation programme managed by the state-run Corporation de Fomento de la Produccion (Corfo).

"By selling off state-owned or controlled companies to a large number of shareholders, ownership cannot easily revert to the state and, by being accountable to shareholders, they will be more efficiently



General Pinochet: aiming for wider share ownership.

run," he adds.

The Chilean Government divides privatisation into three broad phases from 1973, when the late President Salvador Allende was overthrown, through to the present. The first phase concerns the period from 1973-75 which was concerned with the immediate consequences of Mr Allende's overthrow. This phase involved the transfer back to the private sector of 350 companies in state hands as result of either being taken over or intervened because of financial problems prior to 1973. Title was still held by the original owners but the companies were being administrated and bankrolled by the state. "They were small and medium sized companies with a capital of between $3m and $4m," says Major Martinez Munoz. The bulk, 311, were returned to their original owners in 1974.

Since this was an overtly political move designed to boost private sector confidence, they were mostly handed over in poor financial shape. A number of these same companies were to come under state control once again when the boom of the "Chicago Boys" collapsed in 1981/82.

The second phase, considered to last from 1975-83, was originally intended to be a more broad-based effort to sell those companies in the state sector which the government believed could be better managed by private business and which were not strategic.

The emphasis was to be on selling companies whose finances and workforce had been restructured and rationalised. While the aim held good, the government was overtaken by having to cope with the serious effects of banks, financial institutions and companies which overextended themselves in the boom of the late seventies.

The government was obliged to intervene to save large banks like Banco de Santiago and conglomerates like Vial Group. As a result, the privatisations during the period up to 1983 were to a good extent the government having to mop up the consequences of its lax control of the financial system during the boom.

During this phase 86 companies and 11 banks were sold for a total value of $916m. The sales were usually conducted directly with interested companies or via banks which often were the effective owners as a result of indebtedness. Opponents of these sales believe the government was over anxious to offload these companies to paper over the negative image caused by the serious financial collapse in 1981-82, and sold the assets too cheaply. They maintain the purchasers were given excessively generous tax breaks and soft loans.

Those behind the scheme argue the companies were carefully studied and that it was important for the economy for them to be refloated as soon as possible. A total of 49 companies, most technically bankrupt, were closed down or had their assets liquidated, many of them property companies. One of the principal moves made by the government before privatisation was a ruthless pruning of labour. Of the 190,000 employed by 86 companies and 11 banks in 1975, there were only 70,000 left in 1983.

The present phase of privatisation is altogether more sophisticated. Here, the government is genuinely trying to broaden the base of share ownership, and at the same time stimulate a more diversified capital market. It is also concerned to offer to the public shares in much larger companies involved in key areas of economic activity.

The principal mechanism the government is exploiting in the context is the Chilean pension funds, who manage some $1.7bn annually. Companies being privatised are also obliged, or encouraged, to offer a proportion of their shares to their workforce. The latter idea is dear to the Pinochet Government, which believes this is an incentive to lessen labour conflicts.

According to Major Martinez Munoz, raising extra money for the treasury from the sale of state assets is an important but secondary consideration. Nevertheless, between now and 1987 the government hopes to raise $500m from the sale of shares in 23 companies—a target which has been twice raised from an initial projection of $300m. The companies include the telecommunications group, Entel, the national telephone company, CTC (nationalised from ITT by the Allende Administration), the electricity concern, Endesa, the computer company, Ecom, the chemicals and explosives group, Enaex (formed after the nationalisation of Du Pont in 1973), and Lan Chile, one of the two national airlines.

Although the aim is to sell majority holdings to the public, the blocks are being offloaded gradually because the market's capacity to absorb large flotations is limited.

Apart from allowing the pension funds to become significant shareholders, the government is anxious to avoid large-scale concentrations of ownership.

So far, only nine of the 23 companies have plans to sell shares to their workforce and the process has begun in seven. The number of individual share owners has meanwhile risen from 400,000 in 1984 to 480,000, according to Major Martinez Munoz. This is equivalent to 12 per cent of the labour force and is probably the highest relative proportion in Latin America.

States' rulings favour steel strikers

By Terry Dodsworth in New York

STRIKING steelworkers at USX, the largest US steel producer, have won a series of crucial victories over the past few days by persuading a number of the leading steel-making states to classify their conflict as a lockout.

The rulings mean that the USX workers will be able to draw unemployment benefits to supplement the $60 (£40) a week being paid to them by the United Steelworkers' (USW) union strike fund. USX has argued vigorously against such payments, contending that the 22,000 union members actually working at the time the dispute broke out had broken their contracts and gone out on strike.

The union has argued that its members were locked out when their contract came to an end at the beginning of this month, because they were still offering at that time to continue to work under the existing terms.

So far, five states covering about 12,000 USX employees have declared in favour of the steelworkers, including Pennsylvania, one of the key steel-making regions of the country, where USX has 6,200 USW members.

Only two states, Utah and Illinois, have come down against the USW, and they account for just 2,700 USX employees. Indiana, where USX has its largest plant concentration and employs 7,400 USW members, is expected to make a ruling on the issue next month.

The USW victories are widely expected to intensify the battle between the steelmaker and the union. While the USW has a strike fund of $210m, and has implied that it could keep its members out on the picket lines for up to 18 months, it has fought hard for the additional benefits from the state unemployment funds. Benefits of this kind were regarded as crucial in the union's victory in the recent 100-day dispute with Wheeling-Pittsburgh.

Rival steel manufacturers have been taking advantage of the conflict to raise steel prices across a broad range of products.

Chicago's black mayor faces party opposition

BY DAVID OWEN IN CHICAGO

CHICAGO'S once all-powerful white - dominated Democratic machine appears to be redoubling its efforts to thwart incumbent black mayor Mr Harold Washington's bid for a second four-year term.

The key is a petition, filed with city authorities last week, calling for a binding referendum on the partisan nature of mayoral elections in Chicago to be added to a November 4 state ballot.

Under the present system, Republicans and Democrats each select their candidates in primaries staged some weeks before the election proper. If a non-partisan format were to be adopted, these primaries would effectively be replaced by a first ballot for all. The top two candidates, regardless of political creed, would then run off for mayor in a second poll—assuming that no candidate received more than 50 per cent of the vote in the first ballot.

Next year's primaries are scheduled for February 24, with the mayoral election set for April 7.

Mr Washington's supporters are confident that their man can achieve a second term—provided he can avoid a confrontation with a strong, white candidate from his own Democratic Party, a likely prospect if the non-partisan election format were to be adopted.

Ms Jane Byrne, a former mayor herself, and Mr Richard Waley, son of the late mayor of the same name, are Mr Washington's two chief adversaries within the Democratic camp. In the mayoral primaries of 1983, Mr Washington benefited from the split white vote to edge home against these same two candidates, before defeating Republican Mr Bernard Epton equally narrowly in the election.

It is widely believed that if Mr Daley or Ms Byrne did not run in order to unite the white Democratic vote under a partisan-electoral process, Mr Washington would shift to an independent label, hence postponing any clash until the election proper when the presence of a Republican candidate should again divide white voters to his benefit. The guarantee of a non-partisan two-candidate run off would clearly scupper such a gambit.

Mr Washington's supporters claim that as many as one-third of the 202,000 signatures on the petition may be fraudulent. However, state law decrees that only 142,824 authentic signatures are needed for the petition as a whole to be deemed valid.

Even if the document is validated, it is not certain that the issue would appear on the November 4 ballot paper. Under Illinois law, only three referendums can be added to the ballot in a local election and Mr Washington's supporters moved swiftly to fill these three slots with non-binding issues when they heard that the petition idea was brewing.

Cable TV group signs films deal with MGM

BY PAUL TAYLOR IN NEW YORK

HOME BOX OFFICE (HBO), the largest pay television service in the US, has signed a film licensing agreement with MGM-UA Communications which allows HBO to show 72 MGM-UA films over the next few years, and could be worth $300m.

The deal represents the latest in a string of film licensing agreements signed by HBO, a Time Inc subsidiary, and its arch-rival, Showtime, a subsidiary of Viacom International.

It signals an extension of the battle between the two cable TV groups for rights to Hollywood's biggest films.

The films covered by HBO's latest deal include Rocky IV which has already earned more than $250m in box office receipts, Poltergeist II, Youngblood, To Live and Die in LA, and Running Scared.

Under the agreement with MGM-UA, HBO will pay a slight premium for the package if the films are not sold elsewhere

Australian help sought in farm subsidies battle

BY RICHARD HUBBARD IN CANBERRA

SENATOR Richard Lugar of the US yesterday proposed that Australia join the US in taking the lead in moving against subsidised grain sales.

The proposal by the Senate Foreign Relations Committee chairman after a meeting with Prime Minister Bob Hawke in Sydney yesterday has taken some of the wind out of Mr Hawke's complaints of "economic insanity" over US farm export subsidies by claiming that the controversial sale of subsidised US wheat to the Soviet Union would probably not occur.

Senator Lugar said "although the US had offered the wheat, the Soviets had not yet bought it."

Senator Lugar said he expected the world wheat price would fall further as the autumn harvest came in and the Soviet Union would wait for the market to reach bottom. The senator went on to propose that the US and Australia take the lead in moving against subsidised grain sales, starting at the next month's round of talks in Uruguay under the auspices of the General Agreement on Tariffs and Trade (Gatt).

"If we don't make progress there, we should move ahead and try to tackle the subsidy question head-on," he said.

Meanwhile in northern Australia, the ministers from the 14 fair trading countries were debating whether to toughen the proposed "Swiss-Colombian" document which is to be the basis of the final communique they will take to the Gatt talks in Uruguay. Australia, through Mr John Dawkins, Trade Minister, is pushing for a stronger statement against agricultural subsidies to be included in the document.

Mr Dawkins said it "was not sufficient that the new round simply incorporates agriculture in a generalised, qualified or non-commital fashion."

However, Canada and New Zealand are leading the push for a more moderate line.

The Canadian Minister of State, Mr Charles Mayer, urged moderation and called on ministers to instruct their officials to get on with the job of getting agreement to the "Swiss-Colombian" document as quickly as possible. "Unless this occurs the likelihood that countries will agree to take complementary steps to de-escalate the current level of subsidisation is significantly reduced."

French canal consortium files claim against Sudan

BY JOHN MURRAY BROWN

COMPAGNIE de Construction International (CCI) the French led consortium, building the Jonglei canal in South Sudan, is filing a multi-million dollar claim against the Sudanese government before the International Chamber of Commerce in Paris, CCI officials said yesterday.

Failure to settle this claim, put at $30m by Suna, Sudan's official news agency, could signal the end of CCI's involvement in this Sudanese Egyptian joint venture, one of Africa's most ambitious development projects.

The claim, which is disputed by Khartoum, is to cover revenues lost since the project's suspension in 1984 following the revival of Sudan's southern civil war.

The original contract, to cut a 220 mile canal from Bor to south of Malakal on the White Nile, was worth $156m when it was signed in 1976. It was cancelled in 1984 because of what officials of CCI described as a "breach of the special risk clause" after 11 site employees were kidnapped by the rebel Sudan Peoples Liberation Army (SPLA).

The project has long been controversial. Using the world's largest digger, a 12.5 metre diameter bucket wheel designed by Orenstein and Koppel of Dortmund, the canal aimed to drain the "Sudd," a swamp the size of Scotland.

Arab oil producers resort to barter

By Christian Tyler, Trade Editor

FALLING PRICES have compelled Arab oil-producing countries to resort more frequently to countertrade, but have made oil barter deals more difficult to set up, according to a report by the Arab-British chamber of commerce in London.

The usual system of conducting oil countertrade by which an oil company is compensated by the exporter for supplying crude at a given price, is no longer likely to be acceptable, the report says.

Because of the risk of a price fall between contract signature and refining of the crude, most Arab countertrade deals now operate on the "netback" basis under which the price paid for the oil is related to the value of the eventual products, such as petroleum.

According to Mr Roy England, countertrade manager for Lloyds Bank International, this is the only way that oil majors will be willing to buy oil for countertrade deals in future.

The other principal product offered in countertrade by Arab countries is phosphate rock, which is also getting harder to place. Cheap phosphates are in plentiful supply, yet producers often quote rates well in excess of the present depressed world prices. Main suppliers are Syria, Egypt, Morocco, Tunisia, Algeria and Jordan.

Other non-oil goods offered in small countertrade deals include dates, nuts, citrus fruit, potatoes, onions, olive oil, fish and fishmeal, rice and wine.

The report notes that Iraq has become particularly active in counter-trade even though the Baghdad authorities claim to "dislike" barter.

Egypt, which has conducted little countertrade with the West in the past, may be changing that policy because of the country's financial difficulties.

Outside the socialist countries, the most active countertraders in the Middle East are the Japanese and the Brazilians, the report says.

Countertrade in Arab countries; Arab-British Chamber of Commerce, 6, Belgrave Square, London SW1X 8PH; £5.

PHOTOCOPIER DUMPING DISPUTE

Japanese set to challenge Commission

BY JANE RIPPETEAU

JAPANESE photocopier makers, angered by stiff anti-dumping duties imposed on their products by the European Commission, are expected to challenge methods used by the Commission during its investigation.

"Such a high range of duties is unacceptable, and we may have to go to court to argue such an unfair methodology," says the general manager for Europe of one of the top Japanese producers cited for dumping. He asked not to be named.

"We are very disappointed. We are not dumping. We have to talk to the Commission about how they calculated our dumping margin," said Mr Susumu Ichioka, general manager, reprographics products, Ricoh Europe in Amsterdam.

Dumping duties are based on the amount of injury to local EEC producers that the Commission believes is caused by a foreign producer's dumping margin — that is, the difference in the amount charged at home and in the EEC for the same product. For instance, the Commission found Ricoh guilty of charging in some cases 42 per cent less in the EEC than it does at home for the same product.

The Japanese producers claim the methodology used by the Commission invariably results in a finding that dumping has taken place, according to several individuals involved. Simply put, the costs of getting a product from the factory to the market are counted differently for export than for domestic sales with the result that home prices look artificially high, they say.

Nevertheless, the Commission found that the 12 Japanese producers who supply some 85 per cent of the $1bn European copier market were dumping during the seven-month investigation period in 1985. The top offender is listed as Kyocera, with a 69 per cent margin.

The duties affect primarily low-end machines, the portion of the world market the Japanese dominate.

Nine of the companies face a 15.8 per cent duty, and three slightly lower tariffs, on top of the normal 8.7 per cent import duty. The duties are provisional but can be made permanent within six months by the EEC Council of Ministers.

The Japanese may have company in their efforts to resist the duties as they supply a number of European companies which distribute their products.

"This doesn't make economic sense. We will be appealing against the action," says Mr David Gestetner, co-chairman of Gestetner Holdings, whose entire photocopier range is composed of products built by Japan's Mita. "This is basically political. The EEC is having a go at Japan again."

Mr Gestetner said he could not yet estimate by how much photocopier prices will rise in Europe, but he likens the effect to the videotape recorder business in which, he says, the threat of tariffs led to price increases of £150 per machine. "In the end, the European customer suffers."

Rank Xerox, champion of the copier dumping case, which was brought through a group of five European copier makers, had not expected its associated company, Fuji Xerox, to be found guilty of dumping. But it was. Mr David Whitley, Rank Xerox legal counsel, notes further that duties in general were lower than hoped. "It is a step in the right direction. But 15.8 per cent will not be enough to remove the injury" from the loss of sales and depressed margins."

Carla Rapoport in Tokyo adds: The industry has consistently denied all charges of dumping, saying that this latest anti-dumping suit is merely a political tactic aimed at damaging Japanese electronics companies in Europe. One major copier exporter yesterday said the new duties would drastically reduce its exports to Europe, especially if Brussels decides to maintain the duties after the provisional four-month period.

Most companies refused to be quoted by name, as they have not yet received the official documentation of the decision from Brussels. However, a number of copier exporters have been stepping up their production in Europe, and this decision may accelerate that process. Canon, for example, currently produces 25 to 30 per cent of its European copier sales at its UK plant, and expects this percentage to grow to between 60 or 70 per cent.

Row threatens Tokyo-Brussels relations

BY TIM DICKSON IN BRUSSELS

EEC ANTI-DUMPING DUTIES AGAINST JAPAN

Date	Product	Duty (%)
1983	Outboard motors	22
1984	Miniature ball bearings	4 - 15
1985	Ball bearings	1 - 22
	Tapered roller bearings	2 - 45
1985	Hydraulic excavators	3 - 22
1985	Electronic Typewriters	21 - 35
1985	Glycine	15
1986	Electronic scales	1 - 27
1986*	Housed bearings	1 - 18
1986*	Photocopiers	1 - 15.8

* Provisional

"AN intellectually indigestible morsel" was how one interested observer described yesterday's 21-page EEC Regulation setting out this week's provisional anti-dumping duties on Japanese photocopiers.

Teams of lawyers in Brussels, Paris and London will no doubt spend a few days swallowing the full implications of the Commission's much awaited action—announced on Monday—which involved penalties of up to 16 per cent on a range of imported machines manufactured by the likes of Canon, Toshiba, Sharp and Minolta.

One thing, however, is already clear. The Japanese companies and their highly paid advisers are certain to contest the Community's findings in an effort to have the duties if not abolished at least reduced.

The result of the latest anti-dumping case comes at a time when trade relations between the EEC and Japan are increasingly strained. Japan's trade surplus with the Community in 1985 was $13.7bn (£9.2bn) and according to Commission officials its exports to the Community increased by 53 per cent in dollar terms and by 28 per cent in volume terms during the first five months of this year.

Europe's concern at this imbalance has consistently been voiced at diplomatic level but the arguably more effective anti-dumping "weapon" is also being regularly deployed (see table). In the last couple of years anti dumping duties have been imposed on Japanese products as diverse as electronic typewriters, excavators, roller bearings, and outboard motors.

The Commission denies suggestions that it is consciously out to "get Japan," arguing that its investigators are only applying the rules on dumping laid down under the General Agreement on Tariffs and Trade (GATT).

The Japanese and their lawyers, however, clearly detect an increasingly political hand behind the application of what is essentially a legal process.

Although the 12 companies concerned jointly appointed a market research company to look at the European industry and jointly instructed a Japanese lawyer to make a submission on part of the case, they are essentially acting independently with different concerns and different complaints.

Over the next few weeks they are therefore likely to be separately lobbying the Commission in Brussels with a view to at least getting the size of the provisional duties reduced before they become "definitive." Provisional duties are imposed for four months, with a possible extension for a further two, but and definitive measures (which seem certain to be recommended by the Commission) must be adopted by the Council of Ministers.

Besides behind the scenes lobbying, the defendants also have recourse to the European Court of Justice in Luxembourg. Both the provisional and definitive typewriter duties, for example, are currently being challenged in this way but one of the only defendants which successfully persuaded the Court to overturn an EEC dumping duty in the past is believed to have been the NTN Toyo Bearing in 1979.

Many of the issues in the typewriter case are similar to those raised by photocopiers so the typewriter judgment which is not expected until at least the beginning of next year will be watched closely by all concerned. The photocopiers case, however, was one of the most complex and one of the biggest ever mounted in Brussels so new factors have also come into play.

Among the points raised by the Commission which are likely to be contested by some or all of the Japanese companies are:

● The right definition of the Community's photocopier industry. The Commission's investigation was complicated by the fact that three of the companies whose complaint led to the case being investigated were themselves importers of certain Japanese machines.

The Commission concluded that such imports were "insignificant" and this did not disqualify their case, but one lawyer yesterday claimed that while this may have been true on overall terms, it was not the case in relation to the sales of the individual businesses concerned.

● Import trends. The Commission in its findings emphasised the growth in Japan's market share from the mid 1970s. But it was pointed out yesterday that adopting the normal practice of going back just five years the Japanese market share "only" increased from 80 per cent to 85 per cent between 1981 and 1985.

● The calculation of "dumping margins." These ranged from 7 per cent to 69 per cent but mostly fell within a 20 to 45 per cent range. Disagreement here centres on the Commission's methodology which as the Japanese see it artificially inflates their domestic price for comparison purposes by failing to subtract various costs.

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The Concorde Challenge tests your skill and judgement. (It's also a lot of fun).

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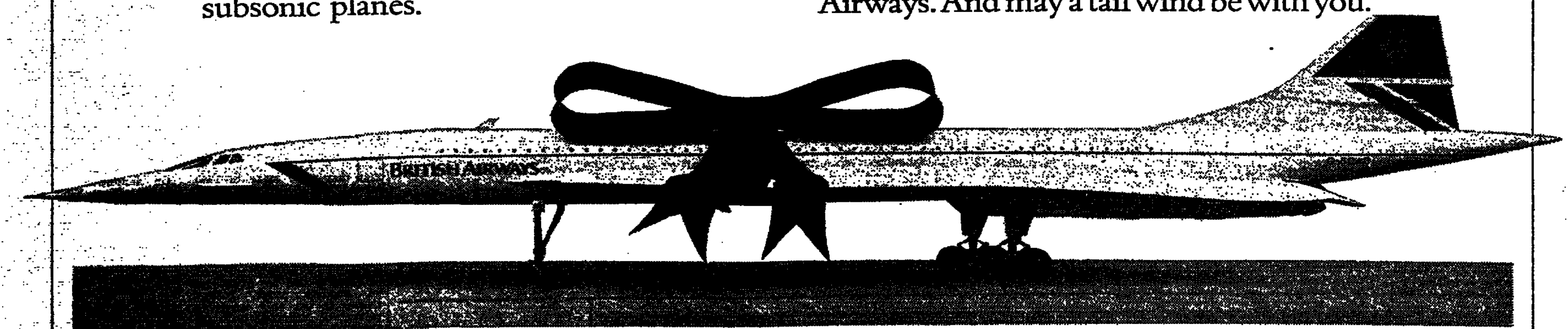

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THE ARTS

Television/Brian Wenham

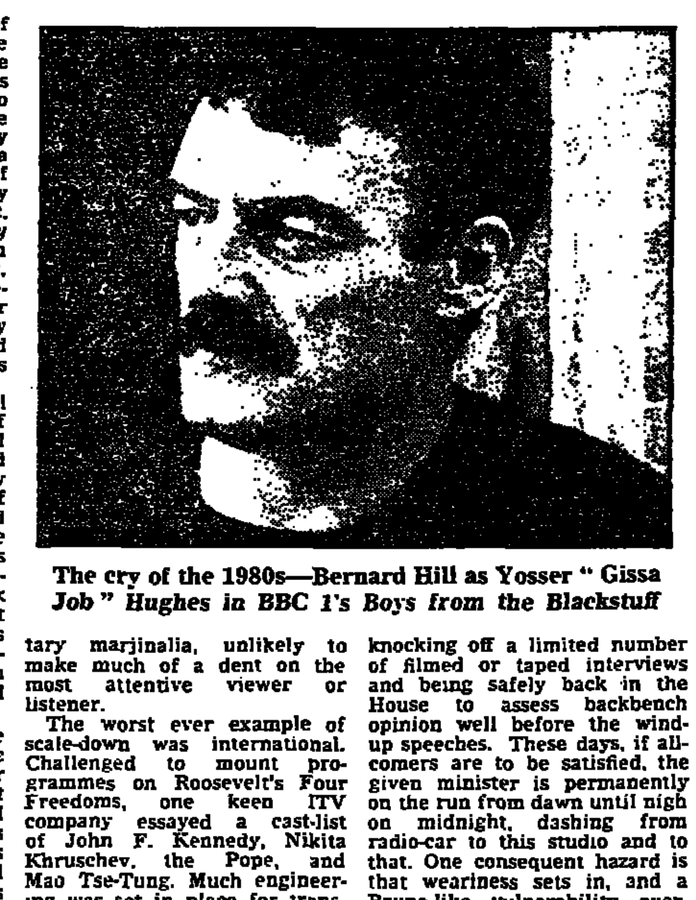
Political certainties and a doubtful truce

It was something of a relief to read in Crete that the Prime Minister had told her people not to pick quarrels with press or broadcasters, and then to return home to find the truce still holding. Of course, many programmes nowadays take a summer break so the areas of likely contention are sharply reduced, with only *Newsnight*, *Channel Four News* and *Today* likely to afford space for an offending nuance. (Incidentally, before it is too late could someone slap a preservation order on *Newsnight's* Olivia O'Leary to keep her for this nation and block a rumoured return across the Irish Sea.)

More normal service will return with the coming of September and the annual round of party conferences, and that normality will inevitably embrace the familiar clutch of incidents, small and large, and in all probability at least one blazing row between politicians of one hue or another and out-of-key broadcasters. To speak thus is not to utter heresy but to draw attention to what is as familiar as traffic jams or unsettled weather. The tension and edginess are endemic and always have been.

A cursory re-reading of Grace Wyndham Goldie's *Facing the Nation* reveals all the familiar *symptoms — arguments about* who is to interview whom and at what length, about who bats first in discussion and who bats last, about who sits where and what such seating arrangements imply, and about a range of tactical devices of which the most familiar is the "scale down."

The scale-down, still much in evidence today, is the tactic whereby an unwilling party gradually reduces his level of representation from Cabinet, through Minister of State, to Parliamentary Under-Secretary, and on into the ranks of the humblest backbenchers, in the *hope that other parties will* follow suit. What starts out as high-level studio dialogue ends up—it is hoped—as parliamentary marjinalia, unlikely to make much of a dent on the most attentive viewer or listener.



The cry of the 1980s—Bernard Hill as Yosser "Gissa Job" Hughes in BBC 1's Boys from the Blackstuff

The worst ever example of scale-down was international. Challenged to mount programmes on Roosevelt's Four Freedoms, one keen ITV company essayed a cast-list of John F. Kennedy, Nikita Khruschev, the Pope, and Mao Tse-Tung. Much engineering was set in place for translation and sub-titling. The eventual cast, as I recall, was Andrew Shonfield, William Clark, George Ball, and A. N. Other. However on this occasion the fault was entirely with the broadcasters, for being hopelessly over-ambitious even for a company run by Lew Grade.

A quarter of a century ago basic demands even on a willing politician were *considerably less than they are today.* So, on the day of a major parliamentary statement, a minister had a sporting chance of knocking off a limited number of filmed or taped interviews and being safely back in the House to assess backbench opinion well before the wind-up speeches. These days, if all-comers are to be satisfied, the given minister is permanently on the run from dawn until nigh on midnight, dashing from radio-car to this studio and to that. One consequent hazard is that weariness sets in, and a Bruno-like vulnerability overtakes the unwary as the evening drives on.

That is why the sparkiest *exchanges, off-camera as well* as on, are usually associated with late-night programmes. What is hopelessly out of the question on these occasions is for time to be set aside for planning a broadcast that might do more than skim the surface.

One natural consequence of time-pressures is that today's hard-pressed politician is drawn towards a familiar format and the good talks producers inevitably follow suit. So it is no accident that today's best, Barbara Maxwell of *Question Time*, and Carole Stone of *Any Questions*, are firmly wedded to certain formulae, even if they may be somewhat over-corsetted thereby.

Any producer bold enough to seek active co-operation beyond the studio, on location, faces a yet more uphill task. Huw Wheldon used to reckon that a major TV series, like *Ascent of Man*, or *Life on Earth*, took at least three full years out of a presenter's life. Hence my own feeling of folly as I stood before a former Prime Minister one July, planning a major TV assault on Europe, only to learn that he had precisely one day free for filming between then and the following Christmas. Even slower off the mark was the former American Secretary of State, whom I thought I was skilfully luring towards a major series on diplomacy, provisionally entitled *From Metternich to Me*, only to find a very large American network nipping in with a seven figure offer that no-one could refuse, and that for work that was mainly undemanding and in-studio.

Even so broadcasters and politicians remain chained together in a way that press and politicians are not. Put at its simplest, beyond a certain stage the broadcaster needs the voice and/or face of his subject or subjects for basic authenticity. Indirect speech rarely offers a decent substitute, still less does *a reliance on those "sources"* around which a skilled pressman can often weave a convincing tale. (Not that such newspaper stratagems are wholly foolproof. Witness how the recent over-egging of Palace "sources" led a certain Sunday paper into troubled waters. Those of you who recall how similar leading questions by the same newspaper set off the avalanche of the *Real Lives* episode may permit me a wry smile at the biter bit.)

Of course the standard nudges and winks from the once-lauded politician carry their own in-built inadequacy. It seemed to me that Brian Walden was well-advised to get out when he was still ahead. Immensely skilful though he was and is, was not his technique beginning to fray at the edges? It was fun watching Walden and Biffen desperately trying to de-code each other's questions and answers, but *what did it really tell us?* What looks like insider trading comes out as trivial pursuit. An inescapable hazard faces even an old pro like Walden. In the end any politician in a position of party power will allow himself to speculate only so far, and probably only about the incidentals of style and personality.

So over the years big issues, ranging from the emerging crisis in Northern Ireland in the 1960s, to the need to pull back from East of Suez, to the growing de-industrialisation of much of the North, and then to the growing racial tensions in inner cities, have been either openly evaded or effectively by-passed, side-lined from politics to the realms of economics or sociology, only to force themselves back eventually on to the harsh world of politics to general shock and surprise.

Meantime, broadcasters of a different sort—the dramatists and the documentary-makers—step in, and at their best upstage politicians at what should be their own game. Not having had the nerve to televise Parliament hardly helps, but were I a politician it would worry me that Yosser's "gissa job" is a greater cry for the 80s than Norman's "on yer bike," and the whole Live Aid undertaking would, I think, have reduced me to a by-stander's impotent fury. If any agenda-setting is done by broadcasting, it is through the imaginative force of such programmes, from *Cathy Come Home*, through *Gale Is Dead*, to the recent thriller *Edge of Darkness*. Such programmes entered fields where politicians of the time feared to tread, on open air at any rate.

But between the politician and the attendant broadcast journalist, the rumble of small-arms fire is always to be heard. These days monitoring from Central Office, minute-counting by the Alliance, increased mutterings from the Walworth Road, all signal that a pre-election period is again under way.

Every indicator hints that the electorate may be in one of its richly fickle moods, so that no politician can know how the chips will fall. *Pace* Mrs Thatcher, this factor may well double the sharpness of the usual engagements. No broadcast journalist I have ever met resents a specific charge, or specific arguments. Indeed, seeking to counter the charge that you have been less than even-handed or significantly off the point in this broadcast or in that is itself part of the broadcasting business. *But generalised* smears that go beyond the range of rational argument are a different matter, and at best "unhelpful." Sometimes, but not often, they can lead the dispirited journalist to echo the thought with which the bantering Robert Robinson once Stopped the Week stone dead. He wished, he said, to hear from politicians twice only: once to tell him what they intended to do, and once more when they came back to tell him that they'd finished.

Brian Wenham worked in television from September 1961 to July this year, when he became managing director of BBC Radio

Julia McKenzie in new Ayckbourn play

Julia McKenzie is to take the central role in Alan Ayckbourn's new play *Woman In Mind*, which opens at the Vaudeville Theatre in the Strand on September 3.

First seen in Scarborough last year, the play is directed by the author, with designs by Roger Glossop, music by Paul Todd *and lighting by David Hersey.*

'Liaisons Dangereuses' for West End

The Royal Shakespeare Company's production of *Les Liaisons Dangereuses* adapted by Christopher Hampton will open at the Ambassadors Theatre on October 1.

The play won *Plays and Players'* Best New Play Award and the *Time Out* Fringe Theatre Award

Composer's Choice/Edinburgh Festival

Dominic Gill

The significant and adventurous music-making at this year's Edinburgh Festival was to be found either on the fringe, or condensed into one long weekend of the official programme.

It was a weekend of seven concerts, performed in the crisp acoustic and intimate ambience of Edinburgh's nicest concert hall, the Queen's Hall in Clerk Street. The theme, broadly speaking, was "20th-century music", the task of choosing the programmes was given to the composer Alexander Goehr. It turned out to be a most successful experiment, well planned, well executed, varied and rewarding—and encouraged even by the weather (was Edinburgh the only city in Britain last weekend to enjoy *sun and blue skies?*). It was a small shame only that the weekend sequence made the festival's other musical offerings seem, by contrast, decidedly thin.

The opening concert of the sequence reflected Goehr's own associations past and present: a trio of chamber works by himself, Peter Maxwell Davies and Harrison Birtwistle (the three outstanding composers of the "Manchester School" of the 1950s) performed by the young Brodsky Quartet, who are the quartet in residence at Cambridge, where Goehr is now Professor of Music. The combination took us back instantly—a brief flicker of nostalgia—to the days of The Pierrot Players and the Music Theatre Ensemble, when the contrasting styles and preoccupations of the same three composers were so often juxtaposed.

Davies's first string quartet of 1961 was the earliest work the Brodsky played: a dark, muted essay, slow-moving and spare of texture, crystalline in its structure, subterranean in its resonance. Goehr's third string quartet of 1976 is traditionally cast, a sonata-form, scherzo and rondo cleverly united by thematic links, unostentatiously didactic in manner, gently lyrical. Birtwistle's *more recent clarinet* quintet (1980) is far more fragmentary, dreamlike, cinematic in its whirling cuts from scene to scene, a dense and difficult piece, but strong and haunting, perhaps the most obstinately original (if by no means the most accessible) of the three.

The Brodsky played two recitals—and introduced at their second, one of the festival's small handful of premieres. Philip Cashian's *Moon of the Dawn* selected and financed by the Society for the Promotion of New Music, is a cautious essay for soprano and quartet, 11 minutes long. The manner I thought surprisingly unadventurous for a composer of 33 years: Cashian explored no new territory in his straightforward settings of 12th-century Japanese verses — though familiar paths were revisited with competence and affection. But it's never easy for a young composer still finding his own accent and his own voice to make an indelible mark in a programme which is otherwise made up of works by Stravinsky, Lutoslawski and Bartok. The Brodsky are an excellent and promising group—though they, too, have yet to find their full, mature stride. Did they hear, I wonder, the Borodin Quartet's magical account of Stravinsky's *Three Pieces* during the Russian quartet's tour last year? They could do far worse than use that performance as a blueprint on which to build their own original interpretation—which still lacks a catalyst, a magical starting point.

The weekend's largest and most ambitious concert drew its forces from members of the *Scottish Chamber Orchestra* (which has its home in the Queen's Hall) and the Scottish Philharmonic Singers—and was from start to finish an uncompromised delight. It was a fine inspiration of Goehr's to contrast Janacek's late and rarely-performed *Rikalda* for chorus and instruments with the Hungarian *György Kurtag's Messages of the Late R. V. Troussova*. Composed more than half a century apart (*Rikalda* dates from 1927, the year before Janacek's death, and Kurtag wrote his *Messages* in 1980), the two works have a surprising kinship in their use of tough, delicate aphorism, their spare and passionate lyricism, and above all in their absolutely distinct and original manner and voice.

In the same programme we also heard Stravinsky's late arrangement of his string quartet *Concertino*, and a concert performance of *Sonata about Jerusalem*, the third and last of the music-theatre triptych which Goehr wrote between 1968 and 1971—one of the composer's most lucid theatrical scores, the musical tone of voice (and the theatrical stance) nicely balanced between serious didacticism and whimsical poetry. The playing and singing of all four works, conducted by Richard Bernas, were exemplary: tough, precise, finely sprung.

The star of that concert was undoubtedly the Hungarian soprano Adrienne Csengery, for whom Kurtag wrote his *Messages*, and whose performance carries still a marvellous concentration of colour and image. *The following day* Miss Csengery had a recital to herself at which she sang more Kurtag—the endlessly sad *Attila Jozsef Fragments* for solo voice. Already performed in London, tiny microcosms of tragedy—as well as two groups of Bartok songs, Stravinsky's exuberant *Pribaoutki*, and the *world premiere of* an unnerving and strangely haunting hieratic chant called *Magnificat* by the Hungarian Laszlo Sary.

There were many high points during the weekend. An impressive solo recital by the American pianist Alan Feinberg offered the British premiere of Roger Session's third piano sonata: robust and wholly original, it is a commanding work, a real "late-period" crown to Sessions's oeuvre. Beside it, Charles Wuorinen's capriccio for piano made only a pallid impression; a group of four short pieces by Milton Babbitt were neat and fizzy, and as full of springtime good humour as winter icicles.

A recital by the splendid young Epsilon Wind Quintet offered a rare opportunity to hear Stockhausen's early *Zeitmasze*, Roberto Gerhard's easy, approachable wind quintet of 1928, and Elliott Carter's *Eight Etudes and a Fantasy* — but do others, I wonder, find the very combination itself of flute, oboe, clarinet, horn and bassoon, however trickily or brilliantly conceived, in almost any of its permutations, as trying as I?

The final concert of the series, given by Lontano under their conductor Odaline de la Martinez, was Goehr's "Present to myself" — music by four former pupils, and two good friends. The friends were Hugh Wood and the late Hanns Eisler: both Wood's sturdy quintet and Eisler's *Fourteen Ways of Describing Rain* were delivered deftly and with care. Of the pupils' works, we heard Bayan Northcott's Sextet, an interesting essay in shifting textures, neat, bright and rhapsodic; Anthony Gilbert's *Quartet of Beasts* for oboe, flute, bassoon and piano, slight and charming; Geoffrey King's *You, Always You* for eight instruments and percussion, arresting in a haphazard fashion, full of attractive but undeveloped propositions; and *Corranach* by the concert's youngest composer, Nicholas Sackman (b. 1950), a sensitive, if at 20 minutes, somewhat indulgently long, evocation of a Scottish funeral.

Anyone Can Whistle/Everyman, Cheltenham

Antony Thorncroft

Stephen Sondheim has probably had more failures than any other successful composer and our provincial theatres have been grabbing easy headlines in the past year by presenting British premières of some of his disasters. *Anyone Can Whistle*, at the Everyman until September 13, falls comfortably into this category, running for just nine performances on Broadway in 1964.

It is easy to see why. The plot is a tissue of nonsense, involving a town inhabited by lunatics, called "cookies" in Arthur Laurents whimsical book, that invents a "miracle" *to boost its flagging economy.* It shrieks of the early 1960s in its love of paradox on the lines of "who is to say the mad aren't the only sane ones when it is the respectable people that make nuclear bombs," etc. . . .

Chris Crosswell's Trumpington-like set and Alison Digby's costumes play up the fantasy—the cast, in their acrylic Mary Quant-style wigs and Sergeant Pepper costumes, coming perilously close at times to apeing Ken Dodd's dire Diddymen. Whether there is a coherent story line is unimportant—no one is going to cherish *Anyone Can Whistle* for its plot or its dialogue.

John Doyle's production has axed some of the loonier passages so we now have a show of under two hours which concentrates on Sondheim's music and lyrics. And at this level *Anyone Can Whistle* becomes a pleasurable curiosity.

The first act comes alive only in its long finale. "The Interrogation," in which Hapgood, the psychiatrist who arrives in town to distinguish *the "cookies" from the sane* citizens, sets off one of Sondheim's most ambitious routines, ending with the cast emerging from below stage on a row of seats, reading programmes and applauding the audience while Hapgood, raised at the back of the stage, points at the stalls and says, "You are all mad." Point taken. It provides a sobering theatrical coup.

The second half finds Sondheim at his most lyrical and varied—the *opening numbers,* "Come play with me" and the title song, providing the hero and heroine with two beautiful songs, with their roots in the 1930s. From now on the music is supreme—and the band, hidden high up on stage left, deftly rings the changes from the insidiously up-beat "A parade in town," to poignant Sondheim in "With so little to be sure of."

This is one of Sondheim's most melodic scores, with little of the later experimentation. The lyrics are deft, much more pertinent than the cumbersome book. The heroine nurse *Marilyn Cutts, freed from her* life as a third of Fascinating Aida, out-sings Michael Jayes, the psychiatrist hero, who is of course, another "cockie." Pip Hinton re-creates the Angela Lansbury role as the evil mayor with gusto, and John Griffiths and Bill Bradley give solid support as her acolytes. But this is Sondheim's show, a rush of high if misguided spirits before the more sombre works to come.

A Proper Place

Antony Thorncroft

Edward Kemp, just 21, has written the ideal play for the National Youth Theatre's season of new works by young writers.

The women of Middleton are fed up with their men, who are much more interested in the local rugby club than in helping around the house. More heinously *they have hounded a militant* feminist doctor out of town. Her replacement, another female, decides to do something about this chauvenism. Not only does she organise the women; she urges on them a Lysistrata style strike, forbidding all contact between the sexes until the rivalry between them has been settled for good—on the rugby field.

Perhaps not an original, or likely, plot, but one ideally suited to the NYT. They can re-live their glory days of *Zigger-Zagger* by transforming the Jeanetta Cochrane Theatre stage into a rugby pitch, and the match that climaxes the play would not disgrace Twickenham. The large cast *obviously revel in this battle* between the sexes, even if the odds are predictably slanted in favour of the girls.

Director Bill Buffery has only in a couple of cases encouraged his actors to go for caricature of adults. In the main, the young performers play *naturally and it matters* not a jot that the characters are a decade or so older. There is a confident use made of time switching; plenty of opportunities for the protagonists to assert their individuality; and a smooth line in dialogue.

There are also, of course, passages which cry out for cutting, mainly the set speeches, and, like most young writers, Kemp has over-egged the action with sub-plots on redundancies; local lore; and lesbianism. But with fine performances by Jennie Webster as the activist doctor; Naomi Sachs as a lesbian archivist; *and Jonathan* Cake as an executive under pressure, *A Proper Place* is an enjoyable, exploitable, piece.

Summerscope Jazz/Purcell Room

Kevin Henriques

The jazz portion of the five-week Summerscope festival on *the South Bank ended at the* weekend with two concerts illustrating two distinctly different facets of the British jazz scene.

"A Little Westbrook Music" is at present the most regular of the various groups led by pianist/composer Mike Westbrook. *Completed by his wife* Kate and reedman Chris Biscoe, the trio performs what is termed an intimate jazz cabaret," comprising songs and settings to poems. The interpretations are tailored to the expressive vocal style of Kate Westbrook who delivers words, whether German, English or Italian, with hearty relish and much dramatic emphasis. Alas on Friday, the all-important words were not always fully audible especially in the latest material such as "Clio's Cosmetics" from the recent Westbrook album *Pier Rides*.

The format of this Westbrook presentation is adeptly conceived with Chris Biscoe's contributions on the various saxophones of the hard-edged kind which ensures there is no show biz sugary gloss on *familiar standards such as* "Love for Sale," or "Buddy, can you spare a dime?" In some respects this effectively underlines the seriousness of the messages of the socially significant songs such as those of Brecht and Weill. Yet with Mike Westbrook's heavy chords commenting and adding to the words, an unmistakable aura of ultra-seriousness pervaded the whole of Friday's entertainment. This was a miscalculation. After all, both jazz and cabaret are meant to be fun. A "jazz cabaret" should most certainly be fun and certainly much lighter than the rather heavy *dish set before* us on Friday.

Saturday's concert was a stark contrast bringing together in two bands, 12 of the young lions of British jazz. Pianist Simon Purcell's Jazz Train was a revelation to anyone such as myself who has never heard it before. It it a no-nonsense septet with two saxes and trumpet fronting a rhythm section, playing with youthful brio a mixture of standard tunes and unfamiliar material. The seventh man is singer Cleveland Watkiss whose deep baritone voice (so right for Billy Strayhorn's "Lush Life") and gymnastic scatting (success-*fully negotiating Horace Silver's* "Sister Sadie") are the focal points in this crisp-playing young band. Of the instrumentalists trumpeter Steve Sidwell stood out for his maturity and confidence when soloing while altoist Martin Speake's light-toned solos were fluent and economical.

The evening was brought to a satisfying conclusion by the Clark Tracey quintet which likewise mixed familiar tunes with not so familiar ones, all in the Jazz Messengers vein. Yet the most fetching item in their set was undoubtedly a trio version of "In a Sentimental Mood" in which trumpeter Guy Barker, altoist Jamie Talbot and pianist Steve Melling endowed the much played but durable Duke Ellington ballad with surprising freshness. Drummer Tracey, leading with restraint but contributing meaningfully, all the way, proved he is the most listening of all the young drummers around.

Altogether the talent heard during the evening proved conclusively that the future for modern jazz in Britain is both encouraging and fully assured.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

August 22-28

Theatre

TOKYO

The Peony Lantern: based on a ghost story by Sanyutei Encho, indulging the Japanese tradition of chilling tales of the supernatural as antidote to relentless summer heat. The plot revolves round the ghost of Otsuya, who after her unhappy death pays a visit back to earth to her lover. This is also O-bon season in Japan when, according to Buddhist belief, ancestral spirits make their annual visit to their former earthly homes carrying lanterns. The play is performed by one of Tokyo's best troupes, Bungakuza, directed by Ichiro Inui and starts Haruko Sugimura (favourite of Japanese audiences and best known for still playing Blanche Dubois in A Streetcar Named Desire at age 82), Kazuo Kitamura and others. Mitsukoshi Theatre in Mitsukoshi Department Store, Nihonbashi. (241 3311).

Noh by Torchlight (Takagi Noh). A special treat in Tokyo's relentless summer heat is outdoor Noh performances by firelight, held in the evening cool at shrines, offering a rare chance to experience Noh in its original outdoor setting. The effects of strategically-placed fire caskets are perfect for the other worldy atmosphere of Noh. Programmes include specially chilling ghost stories to alleviate summer heat – a Japanese tradition. The tiny pocket books, *A Guide to Noh* and *Guide to Kyogen* (available at hotel bookstores) give the plots. Very popular and usually held at weekends, see Tokyo papers for details. Book early to avoid disappointment.

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the *Aids epidemic increases.* (836 3878 credit cards (CC) 379 6565).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Blithe Spirit (Vaudeville): Susan Hampshire and Joanna van Gyseghem have now joined Simon Cadell in this enjoyable Coward revival. (836 9987).

Troilus and Cressida (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but riveting just the same. The bumptious 1950s Merry Wives continues in repertoire. (628 8795).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhouse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. *Michael Blakemore's* brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has *reached this* pretty pass. *Exploitative*, but not strictly for tourists. (836 2294).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

NETHERLANDS

Scheveningen, Circus Theatre. China's Peking Circus (Fri, Sat, 2 and 8 pm). (55 88 00).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

Saleroom

On target in Scotland

Every August the rich, enjoying their annual holiday in Scotland, foresake the grouse moors and the trout streams, to spend money at Sotheby's series of sales at Gleneagles Hotel. The auctioneers obviously find the clientele in an expansive mood—the sale of sporting guns on Monday night produced a total of £360,608, a record for this market.

The top price was the £29,700 paid by a private Scandinavian bidder for a pair of Holland & Holland 12 bore sidelock ejector guns. It was an auction record for a pair of conventional game guns, but the price might have been boosted by the fact that they were made in 1980 for the Game Conservancy: each year Holland & Holland produces a pair which is subsequently raffled to assist the cause.

A garniture of three 12 bore "round action" ejector guns made by David McKay Brown in Glasgow sold for £19,800 to an English buyer. McKay Brown is the only surviving maker of sporting guns in Scotland, producing no more than eight guns in a year. A pair made by Purdey in 1902 and remaining in the family of the original purchaser fetched £15,950. Sporting guns of this age are rare, and these had hardly been used.

In the *silver* sale a *punch* bowl made in Glasgow in 1888 by Edward and Sons sold for £4,620 while a typical mid-Victorian monstrosity, a silver snuff box mounted on the head of a very disgruntled looking ram, doubled its estimate at £2,200. A novelty cocktail shaker, made in 1940 in the *shape of a fire* extinguisher, went for £440.

A.T.

RSC/Nat West autumn tour

On October 6 the fourth RSC/Nat West Tour opens a 16-week nationwide season with two new Shakespeare productions staged specially for the road, *Much Ado About Nothing* and *The Merchant of Venice*. *Much Ado* is directed by Ron Daniels and *The Merchant* by Roger Michell, both designed by Di Seymour.

Nigel Terry returns to the RSC to play Benedick and Shylock, with Fiona Shaw in the roles of Beatrice and Portia.

The tour is the longest to date, starting in Truro and ending in Thatcham, Newbury, on February 7.

UK NEWS

Gallaher to shut plant with loss of 700 jobs

BY CHRISTOPHER PARKES

GALLAHER Tobacco, the UK-based manufacturer of Benson & Hedges cigarettes, is to shut its 90-year-old Belfast factory in Northern Ireland with the loss of 700 jobs.

The closure, which will reduce the company's workforce by about 13 per cent, will be phased over two years. Production of cigarettes and pipe tobacco – and most of the remaining 450 of the Belfast work-force – will be transferred to a more modern works at Ballymena in County Antrim which employs 1,500.

Gallaher, a subsidiary of American Brands of the US, said Northern Ireland would continue to provide 50 per cent of its tobacco products. It claimed reorganisation was necessary to "reduce overheads and increase efficiency, and is thus job-protective in the long term."

The cuts form part of a streamlining package, unveiled by American Brands yesterday, which includes the closure of a 100-year-old cigarette plant in Durham, North Carolina, and write-offs totalling $100m.

They also provide further evidence of the pressures on the British tobacco industry which have led to several closures in the past two years.

● Gallaher shut its cigarette factory at Middleton, Greater Manchester, last August.

● Imperial Tobacco closed a plant at Newcastle-upon-Tyne in January this year in a cost-cutting exercise which will have cost 1,700 jobs by the time it is completed at the end of 1987.

● In May, Rothmans (UK) announced plans to close its works at Carrickfergus, near Belfast, shedding almost 800 jobs. The Ulster plant had only recently been hit by a programme, announced last September, for more than 400 redundancies among workers in four of Rothmans' UK factories.

● More than 1,200 lost their jobs when the company pulled out of Basildon, Essex, in 1984.

The closures have resulted from a combination of factors. The tobacco industry's search for cost-efficiency is given a special urgency by the increasingly fruitful efforts of anti-smoking lobbyists, increases in tobacco taxes, rising imports and fading exports.

Mr Nigel Lawson, Chancellor of the exchequer, raised the price of a packet of 20 premium brand cigarettes by 11p to £1.50 at the budget last March. A round of manufacturers' price increases now seems to be under way. Gallaher, for example, announced a 2p rise last Friday.

Cheap imports, mainly from West Germany, now account for about 9 per cent of the £6bn UK market compared with less than 2 per cent three years ago.

Although the effects on this year's sales are not yet clear – smoking usually dips and then revives following the budget – the habit is in long-term decline.

Lisa Wood reports on Cadbury Schweppes' latest stake in US soft drinks

Acquiring taste for Dr Pepper

FOR THE reasonably small outlay of $17.5m Cadbury Schweppes, the UK-based confectionery and soft drinks business, has acquired a 30 per cent stake in Dr Pepper, maker of a secret formula drink which has about 7 per cent of the huge US soft drinks market.

The investment, announced by Cadbury Schweppes on Monday, comes three months after the group paid $230m for the Canada Dry and Sunkist soft drinks businesses, which ironically were bought in 1984 by R. J. Reynolds, the previous owner (now RJR Nabisco), from Dr Pepper.

The Canada Dry acquisition, with its non-cola brands, lifted Cadbury Schweppes' share of the US carbonated drinks market from 0.6 per cent to 3.7 per cent.

"We want to build up a soft drinks business in the US but not in confrontation or direct competition with the major cola companies, Coca Cola and Pepsico," said Mr Dominic Cadbury, chief executive of Cadbury Schweppes, yesterday.

It is a more circumspect approach to the US than the company adopted in its confectionery business where its Peter Paul Cadbury business, with around 8 per cent of the US candy trade, has tried to compete directly with Mars and Hershey Foods, the market leaders.

This confrontation, exacerbated by overstocking of Cadbury brands by US food brokers, was largely responsible for Cadbury Schweppes' US trading results collapsing in 1985 to a loss of £5.6m compared with £36.9m profit in 1984. This turnround was largely blamed for Cadbury Schweppes' 25 per cent drop in pre-tax profits to £83.3m for the year ending December 1985.

Many of the problems in the US confectionery business have now been ironed out, according to Cadbury Schweppes. Operations have been restructured, more than 30 per cent of North American executive jobs have been eliminated and the marketing strategy has been more finely tuned. This year Mr Cadbury expects a marked improvement in the business's financial health.

But it is the US soft drinks market, worth in excess of $25.5bn a year, that is gripping the attention of Mr Cadbury, whose group has sold off UK businesses, such as the food and beverages division, in order to concentrate on its main-stream activities.

The opportunity to buy in the US has come in the wake of anti-trust objections by the US Federal Trade Commission (FTC) to the proposed purchase of Dr Pepper by Coca-Cola and of Seven-Up by Pepsico.

The proposed transactions, in a market where one key to success is grabbing limited space on supermarket shelves, would have given Coca-Cola, the world's largest soft drinks company, and its arch-rival Pepsico some 80 per cent of the US soft drinks market.

Dr Pepper, based in Dallas, was acquired more than two years ago in a leveraged buy-out led by Forstmann Little, the Wall Street investment firm.

After Coca-Cola's $470m bid was given the thumbs-down by the FTC, it was not clear who might step into the breach. Several North American candidates were rumoured, including Anheuser Busch, the biggest US brewer, while Cadbury Schweppes was mentioned as a possible overseas contender.

Mr Cadbury describes his group's 30 per cent equity stake in the latest leveraged buy-out as a "strategic investment" in a business that has been resilient to competitors' new products launched in the same segment of the market.

He said: "We have the largest individual share in Dr Pepper, so clearly whatever happens in the future we will have a major say in deciding the outcome." He refused to be drawn on whether Cadbury Schweppes had an ultimate intention of acquiring the whole business.

"Our interests are long term," said Mr Cadbury. "We have no plans and there are no agreements to increase our shareholding at this time. It is clearly probable in the future that this could come up and we may be interested."

It is a much more distant relationship than with Canada Dry. Cadbury Schweppes will play no role in day-to-day management of Dr Pepper although it will have two members of the new board. While the Canada Dry acquisition brought Cadbury Schweppes a business with an international flavour, Dr Pepper's product to date has not found the same overseas consumer acceptance.

Cadbury Schweppes emphasises the potential still to be found in the US. "Dr Pepper," said Mr Cadbury, "has a 5 to 7 per cent share of the US market. It has a good growth record in fast food outlets, the quickest growing channel of distribution in the US."

Shareholders in the UK will have to wait at least a couple of years to appreciate this because of the debt incurred by the buy-out of a business which made net profits of $60m last year.

Greece removes ban on Scotch whisky import applications

FINANCIAL TIMES REPORTER

GREECE has lifted its ban on applications for imports of Scotch whisky after protests by the British Government, European MPs and the European Commission, the Scotch Whisky Association said yesterday.

The association said importers had been told they may resume applications for import licences through commercial banks and that these were now being granted.

On July 21 the Greek Government announced that importers of a range of products including all alcoholic beverages would have to obtain approval from a committee of the Bank of Greece before import licences would be issued.

Four days later Scotch whisky importers were told that applications for alcoholic beverages would not be considered for at least a month.

The association alerted the Trade and Industry Department and the European Commission to what it claimed was a contravention of the European Community treaty. It also complained to the Greek Government.

In a telex yesterday to the European Commission, the association welcomed the reopening of the Greek market but it called on the commission to monitor the situation closely to prevent any subsequent unilateral action by the Greek authorities to impede imports.

The association said action was still needed to end other restrictions and "blatant discrimination" by Greece, including an import deposit of 80 per cent of Scotch whisky's value, held for six months without interest by the Bank of Greece. Importers have had to pay this since October 1985.

Accusations that the Greeks have engaged in other unfair trading practices will be made by the Confederation of British Industry (CBI) to Mr Paul Channon, Trade and Industry Secretary, when he speaks at the CBI on September 2.

Mr Channon, who will be discussing Britain's presidency of the European Community, will be told about the worries of cement manufacturers who claim that Greek cement is arriving in Britain at subsidised prices.

Boots to start relaunch of Farley food products

FINANCIAL TIMES REPORTER

OSTERMILK and Osterfeed baby food, Complan and other milk-based products bearing the Farley brand will soon be back on sale in the UK after an absence of about nine months.

Boots, which bought Farley Health Products from the liquidators in March for £18m, said yesterday that products based on milk powder brought in from Danish, Dutch and British manufacturers would be in the shops in about a month.

Farley's own plant in Kendal, Cumbria, was closed in December by its former owner, Glaxo, after suspicions that its products might be associated with salmonella poisoning in infants. The plant is expected to be back on-stream in October or November.

Reopened by Boots in April, the factory was closed a week later after the discovery of salmonella bacteria around milk drying plant. Boots said at the time that it would not start working again for about six months.

It was still being stripped down, cleaned and fitted with new processing plant, the company said yesterday. Most of the workforce at Kendal had been kept employed packing and shipping suspect products for sale as animal feed. There had been only a handful of voluntary redundancies.

However, about 100 jobs had gone at Farley's rusk and cereal products factory in Plymouth, which accounted for about half of the company's £40m sales last year.

This operation had not been affected by the problems at Kendal, but the payroll had been reduced as administration, marketing and selling had been taken over by Boots' central organisation.

Boots has been extending its interests in Farley and has paid about £5m for the brand marketing rights in the Far East and Australasia.

Its next task is to rebuild confidence in the Farley brand and win back its previous 24 per cent share of the milk substitutes market.

Complan, an adult food supplement, will be heavily promoted and Boots plans a campaign to market the baby food range to health care professionals. Consumer advertising of these products is strictly constrained by an official code of practice.

Magazine for black businesses

By Charles Batchelor

A MAGAZINE claimed by its backers to be the first to cater specifically for the UK black business community has been launched. The magazine, entitled Wealth, will be distributed free and has started with an initial print run of 20,000 copies.

The aim of the venture is to help existing black businesses and encourage black would-be business people, according to Mr Bunny Barnett, the editor and head of the Paul Bogle Foundation, which advises and trains potential business people from the Afro-Caribbean community.

Wealth seeks to ease the problem facing many black businessmen that they are perceived as being less successful at business than, for example, Asians or the white majority. This resulted partly from a lack of a track record and a lack of business support systems such as an Afro-Caribbean bank, Mr Barnett said.

Wealth is aiming for a circulation of 160,000 over the next two years but hopes to break even on its advertising revenues by the third or fourth of its bi-monthly issues.

The magazine has the financial backing of a number of commercial companies. Mr Barnett said he hoped that the London council of Camden would decide to support a request for help in taking on more permanent staff.

Petrol prices set to rise by further 5p

BY MAX WILKINSON, RESOURCES EDITOR

THE PRICE of petrol is to rise by a further 5p a gallon to nearly 170p, two of the UK's leading oil companies said yesterday. Others are expected to follow suit.

Esso and British Petroleum made their announcements only two weeks after the last price increase of 7p per gallon. Their prices go up from this morning.

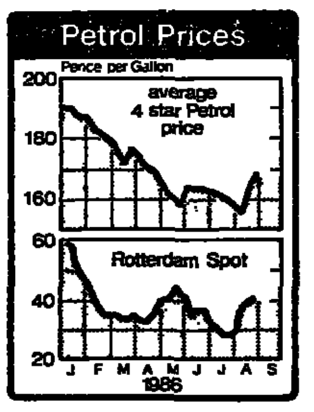
The oil companies have been anxious to improve their margins on UK petrol sales for some time. They have decided to take advantage of the firmer market resulting from increased demand from motorists during the holiday season and a sharp increase in the price of spot cargoes of petrol on the Rotterdam market.

Petrol sales in August have been about 5-6 per cent higher than a year ago. Partly as a result, refiners have been able to keep their plant operating more fully. UK refinery output in the three months to May was running at about 84 per cent of capacity.

BP said yesterday that the latest price rise was made necessary by the increase in crude oil prices since the Organisation of Petroleum Exporting Countries (Opec) agreed earlier this month that they would cut back production in September and October.

The spot price for Brent crude has risen from its lowest point of $8.60 at the end of last month. A spokesman for BP Oil said yesterday that the majority of its crude oil was bought at "spot-related prices". He said it took three weeks for crude oil prices to be reflected in the cost of petrol.

Other oil companies, however, put more emphasis on the need to make an adequate return on capital. One oil company spokesman who did not wish to be named said:



"We should not be afraid of saying that we want to make a profit."

One company said it needed a price of about 175p at the pump to make a return of 12 per cent at present crude prices and exchange rates. It is likely, therefore, that the companies will soon be seeking a further increase in prices if they can hold the price at 170p for a few weeks against competition from smaller competitors and cheap petrol sold at hypermarkets.

The latest increase will take the average price of a gallon of petrol to 7 per cent above its lowest level this year, reached in May. However, prices are still 10 per cent below their level at the beginning of the year, when the price of crude was much higher.

In the UK, petrol duty and VAT account for 113p out of the new pump price of 169.6p, leaving the oil companies and their distributors with 56.6p for the purchase of crude, refining marketing and distribution. Last week the spot price of premium gasoline on the Rotterdam market was the equivalent of 42p per gallon.

New Rover car fails to generate immediate group sales recovery

BY JOHN GRIFFITHS

AUSTIN ROVER, the state-owned vehicles group, last night put a brave face on the fact that its market share is still languishing at around 14 per cent, more than 2½ per cent down on last year. This disappointing picture for the group emerges in its sales performance for the first 20 days of August.

It shows that a recovery generated by the group's much-publicised new Rover 800 car has so far failed to materialise.

A good sales performance in August is more important than any other month, because of the huge sales peak associated with the annual change of the vehicle registration prefix.

Although August's sales currently are trailing slightly behind the record month of 1983, the Society of Motor Manufacturers and Traders (SMMT) said the present flow of registrations meant that the record could yet be beaten.

After 20 days, registrations had reached 302,928, up 5.53 per cent on the 287,043 of the year-ago period, but marginally down on the 303,943 seen in 1983.

Austin Rover pointed out that its 14.13 per cent share for the 20 days overall disguised an improvement in the second 10-day period, during which its share rose to 15.31 per cent from 13.62 in the opening 10-day period.

A spokesman said the improving trend should continue and that "we should have a much better figure by the end of the month."

Austin Rover still nurses hopes of beating Vauxhall/Opel into second place for the month overall. At the 20-day mark the General Motors' subsidiary was also disappointed with its performance, being barely ahead of Austin Rover with a share of 14.44 per cent.

Austin Rover's concern about its performance is heightened by the seeming failure of its latest model, the Rover 800, to have acted as the hoped-for catalyst to boost sales of other models. In addition, the company's early notification of a price rise on August 18 has failed to create a rush of customers seeking to beat the deadline.

Ford, which also gave early warning of an increase, remained the clear market leader, with a share of 27.96 per cent – a slight increase on the same period of last year.

Imports accounted for 60.41 per cent of the 20-day sales, up from 59.64. Peugeot/Talbot saw a significant improvement in its performance, with a share of 4.98 per cent, up from 3.8 per cent.

Airline finance systems 'unlikely to cope with forecast demand'

BY LYNTON McLAIN

TRADITIONAL FINANCING systems will be inadequate to cope with a huge forecast increase in demand for civil airliners to the end of the century, Mr Jean Pierson, president and chief executive officer of Airbus Industry, said yesterday.

The number of airline passengers would have increased threefold by the year 2005 and the world airline fleet was expected to be 1½ times larger than today, he said.

The forecast suggested the use of 8,951 new and used aircraft and $415bn worth of business for manufacturers, he told the Financial Times Conference in London on World Aerospace to the end of the Century. His forecast covered aircraft with more than 100 seats and represented the needs of the 204 most important airlines.

"The manufacturer, having already borne the risks and costs associated with research, development and production, would like to be involved as little as possible in financing," Mr Pierson said.

"Investors would like to obtain as much security as possible and with new aircraft, will often request a guarantee from the manufacturer to minimise the risk."

It was possible that with a return to profitability of the airlines, the pressure on aircraft manufacturers from financiers would decrease, he said. This possibility was enhanced by the growth of asset-based financing. This would shift the risks and benefits of ownership from the airline, which would operate but not own the aircraft.

Privatisation, less regulation, new technology and the debt problems of the developing world are some of the reasons why airlines are having and will continue to have recourse to this type of finance," Mr Pierson said.

Airbus Industrie was monitoring Japan's entry into the civil aircraft industry. "Japan has the necessary financial, technological and engineering resources to embark on the development of major aircraft programmes. Japan will have an aircraft manufacturing industry; the question is when?" he said. Meanwhile, Airbus Industrie was aiming to win 30 per cent of the market for airliners to the end of the century.

FINANCIAL TIMES CONFERENCE
World Aerospace

More than 1,100 of the forecast market for airliners was already on order. This left a total potential market in the coming 20 years of more than 7,800 new airliners. In the short to medium range wide-body twin category, 3,120 aircraft worth some $220bn at 1986 prices were expected to be delivered over the period, he said. More than half of this market was in the US, with 18 per cent in the Asia-Pacific region, 17 per cent in Europe and the rest in Latin America, Africa and the Middle East.

Mr Jim Worsham, president of Douglas Aircraft, part of McDonnell Douglas, said about half the new equipment, about 3,100 aircraft, would be short-range aircraft with between 100 and 150 seats. "The demand for this size aircraft continues to remain high, yet the category represents only about one quarter of the total money invested," he said.

Only about 750 very large aircraft with 400 or more seats were likely to be ordered between 1986 and the end of the century, representing less than 15 per cent of the total number of aircraft but 30 per cent of the investment.

"The larger aircraft generate the necessary revenues for adequate stockholder return, and the capital for development of the next generation of aircraft. The small, high-volume aircraft generate the necessary manufacturing base," he said.

Mr Brian Rowe, senior vice-president and group executive of the US General Electric aircraft engine business group, said engine manufacturers were not getting "reasonable returns from the initial sale of an engine." The sale of spare parts – "our second source of income" – was also down.

The only source of continued investment necessary for the design improvements on future engines was "more realistic up-front engine prices," he said.

He expected the new GE unducted fan engine on aircraft would reduce fuel consumption by at least 30 per cent and so make possible a new generation of aircraft, "which will justify a price that provides a basis for manufacturers like GE to make the initial up-front investment."

"We are entering an era in which we will be able to feed flight data from all airlines into a master computer, monitor engine health and, if needed, suggest corrective action," Mr Rowe said.

General Electric recently started preparatory work in this area by establishing a data link between Lufthansa's engine condition monitoring computer in Frankfurt and its facility at Evendale, Ohio. "This is the first link of its kind between an operator and an engine maker," Mr Rowe said.

Mr Alec Sanson, corporate marketing director of British Aerospace, said that while airline passenger traffic for all airlines in the International Civil Aviation Organisation had increased – with an average growth rate of 13.5 per cent a year in total traffic over 14 years from 1970 – a fall in yield had undermined the growth in revenue since 1980.

British Aerospace expected the price of oil to stabilise at between $10 and $15 a barrel for some time and possibly for the remainder of this decade.

US warned to avoid budget 'tinkering'

BY GEORGE GRAHAM

THE US and West Germany will only be tinkering at the edges of the problem of their external imbalances if they cut interest rates by half a percentage point without taking action on other parts of their economies, according to Goldman Sachs, the US investment house.

"Unless either the 'excess' savings and declining budget deficits in Japan and West Germany are reversed or the trend of deficient savings and rising budget deficits in the US changes, then the American trade deficit and European and Japanese surpluses will persist," Mr David Morrison and Mr Gavyn Davies, Goldman's London economists, write in their latest bulletin.

The problem of the US current account deficit cannot be viewed in isolation, they point out, since this deficit is itself a function of the surplus of private savings over domestic investment, less the Government's budget deficit.

A rise in the US federal budget deficit, Mr Morrison and Mr Davies argue, ought to result in higher real interest rates, a rise in the US dollar, an increase in the balance of savings over investment and, eventually, a deterioration in net exports.

All of these symptoms were experienced between 1980 and 1985, with the balance of savings over investment bearing the initial brunt and latterly the current account taking the strain. If the target is now the US current account deficit then this cannot be reduced, they say, without affecting a combination of the budget deficit and the savings minus investment balance.

Putting pressure on West Germany to cut interest rates appears likely to achieve little, since a mere 10 per cent of German exports go to the US and the German share of US exports is only 5 per cent. Only if the entire European Community were to expand would US export markets rise significantly.

French plant considered

BY DAVID THOMAS

PLESSEY, the UK electronics group, is considering opening its first manufacturing facility in France.

Plessey's decision will turn on whether it wins an order for radar absorbers – components in military radars – from the French Defence Ministry, whose decision is expected soon.

In 1984, Plessey's microwave division established a marketing joint venture with SNPE, the French nationalised armaments and chemicals group.

Mr Rex Lowin, Plessey microwave managing director, said yesterday that, if Plessey won the order for radar absorbers, it would probably be of the size and stability to justify setting up a manufacturing arm in France in the next year to 18 months.

At first, the French manufacturing arm would probably be small, accounting for about £1m of the £3m total annual sales in France which Plessey's microwave division would expect if it wins the radar absorber order.

FINANCIAL TIMES

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Wednesday August 27 1986

Time Japan was generous

JAPAN may be the world's second economic superpower but *it has yet to shoulder the wider* responsibilities of this elevated position. It has not yet, for example, established a convincing track record as a generous donor to poor Third World countries: as a percentage of GDP its overseas development assistance is frankly miserly compared with that of most European countries. Nor has Japan demonstrated its capacity to exercise leadership in international economic diplomacy: its voting power and clout within organisations such as the IMF and the World Bank still fail miserably to reflect the size and strength of its economy.

The Japanese now have a chance to make progress on both fronts. In less than a month officials will attempt to conclude the negotiations for the eighth replenishment of funds for the International Development Association, the arm of the bank which provides very soft loans to the world's poorest countries. The negotiations have been progressing well all year but officials fear a deadlock at the September meeting. There are two reasons for this: Japan seems unwilling *to make an adequate contribution* and several countries, including the US, are threatening to turn IDA into a political football by linking the discussions to other sensitive negotiations, for example those on trade barriers.

Tight fisted

IDA deputies—the representatives from the sponsoring countries — have committed themselves in principle to raising at least $12bn for the eighth replenishment, which covers the three-year period starting next *summer. This is not generous.* At the beginning of this round of negotiations, the World Bank said it needed at least $15bn in view of the scale of poverty in developing countries. The commitment to $12bn looks acceptable only in relation to the previous replenishment, IDA-7, which was a meagre $9bn on account of the Reagan Administration's ideological opposition to aid of any sort. IDA-8 represents a considerable shrinkage of support in real terms compared, for example, with the sixth replenishment which also *raised $12bn, at a time when the* Third World was in much better shape.

Although committed to an IDA-8 of at least $12bn, the deputies have not agreed a way of raising more than $11.5bn. This is mainly because the US, *in spite of the rhetoric of the* Baker plan, is still extremely tight fisted. Its share in IDA has steadily fallen and at 25 per cent is now far below the share suggested by the size of its economy. Moreover it is refusing to pay more than 25 per cent of $11.5bn: the other deputies, if they want an IDA-8 of $12bn or more, will have to make up the difference. But how?

Small adjustment

Japan is the obvious source of extra money: its overall aid commitments are low yet it is expected to run a current account surplus this year of about $80bn. Moreover, the sharp appreciation of the yen has made Japan much wealthier relative to other countries. But Japan has been saying that unless other countries agree to an increase in its shareholding and voting power in the World Bank proper (an important status signal for Mr Nakasone) they will contribute less, not more. However, Japan's shareholding cannot be raised unless some other country, in practice the US, is prepared to give up shares (countries have pre-emptive rights and so can prevent dilution through a new share issue). The danger is that the US will refuse to let Japan's shareholding rise unless it makes concessions in other spheres, for example on trade or the liberalisation of its capital market.

The way out of this mess is for Japan to recognise that it can well afford to pay over the odds for more status and a bigger say in the running of the World Bank. The appreciation of the yen means that if Japan's share of IDA-8 were the same as its share of the much smaller IDA-7 it would still save the yen equivalent of $350m. It therefore ought to offer to put up an extra, say, $750m which would take IDA-8 well over the $12bn mark. Other countries might then stump up a bit more cash in return for some small adjustment of their shareholdings in the World Bank. At the same time, any attempt to link IDA with trade or other negotiations ought to be dropped, as a recognition of Japan's generosity. This is Japan's chance to show its capacity for leadership and its commitment to Third World development.

Aftermath of the Tripoli raid

THERE WAS never any likelihood that last April's bombing of Libya by US aircraft would have any significant long-term effect on the levels of Middle East sponsored terrorism. The sources of politically-inspired violence are too widespread and individual hatreds too deep-seated for superpower intervention of this type to create more than a tactical reassessment by the principal practitioners.

This week's warning by US officials that Col Gadaffi is planning further attacks on American citizens in Europe demonstrates how relatively little the Administration itself accepts that it has deterred Libya. Col Gadaffi was undoubtedly surprised by the US attack, but there has been no evidence to suggest that the destruction of a few buildings and the death of about 30 people has caused him to abandon causes which he has espoused for so long.

Gadaffi may well have been disappointed by the lack of support forthcoming for him from the *rest of the Arab world, but* then his revolutionary appeal has always been to the peoples of the region rather than to their governments. What matters most to him is that Western-oriented Arab governments should be made to feel increasingly embarrassed by the closeness of their relations with Washington.

Positive outcome

For the US Administration, and perhaps for the British Government, it may have been tempting to draw up a short-term profit and loss account dating from the Tripoli raid. Two British hostages held in Lebanon were murdered, but since April there has not been a large-scale terrorist atrocity of the type perpetrated at Rome and Vienna airports or at the West Berlin discotheque. There have, however, been several failed attempts, the most frightening of which was the attempt to smuggle a bomb on board an Israeli aircraft at Heathrow airport. Had the bomb exploded when the aircraft was in flight causing heavy loss of life the political consequences for the Middle East would have been dramatic.

The lesson to be drawn from that near-disaster is that a well-trained security guard, aided by inter-government intelligence co-operation, is far more effective in combating terrorism than F-111 bombers dropping their loads on a Middle Eastern capital.

Libya's capacity to use diplomatic privilege as a cover for other activities has been reduced by the expulsion of members of the so-called peoples bureaux from several European capitals. If the US has clear evidence that Col Gadaffi is again planning terrorist actions there must be a strong case for EEC members refusing any Libyan diplomatic presence, and for making the sort of political gestures being urged against the South African government by cutting more deeply into remaining economic links.

Swift response

Mrs Thatcher may remain adamant that economic sanctions do not work, but if part of their purpose is to demon*strate the depth of Western* opposition to Col Gadaffi then they could serve to stimulate the domestic opposition to the Libyan regime which already exists. The collapse in the price of oil has had far more impact on the stability of the Gadaffi regime than American bombs. A further tightening of economic pressures coupled with a greater degree of international political isolation could intensify the tensions already within Libya.

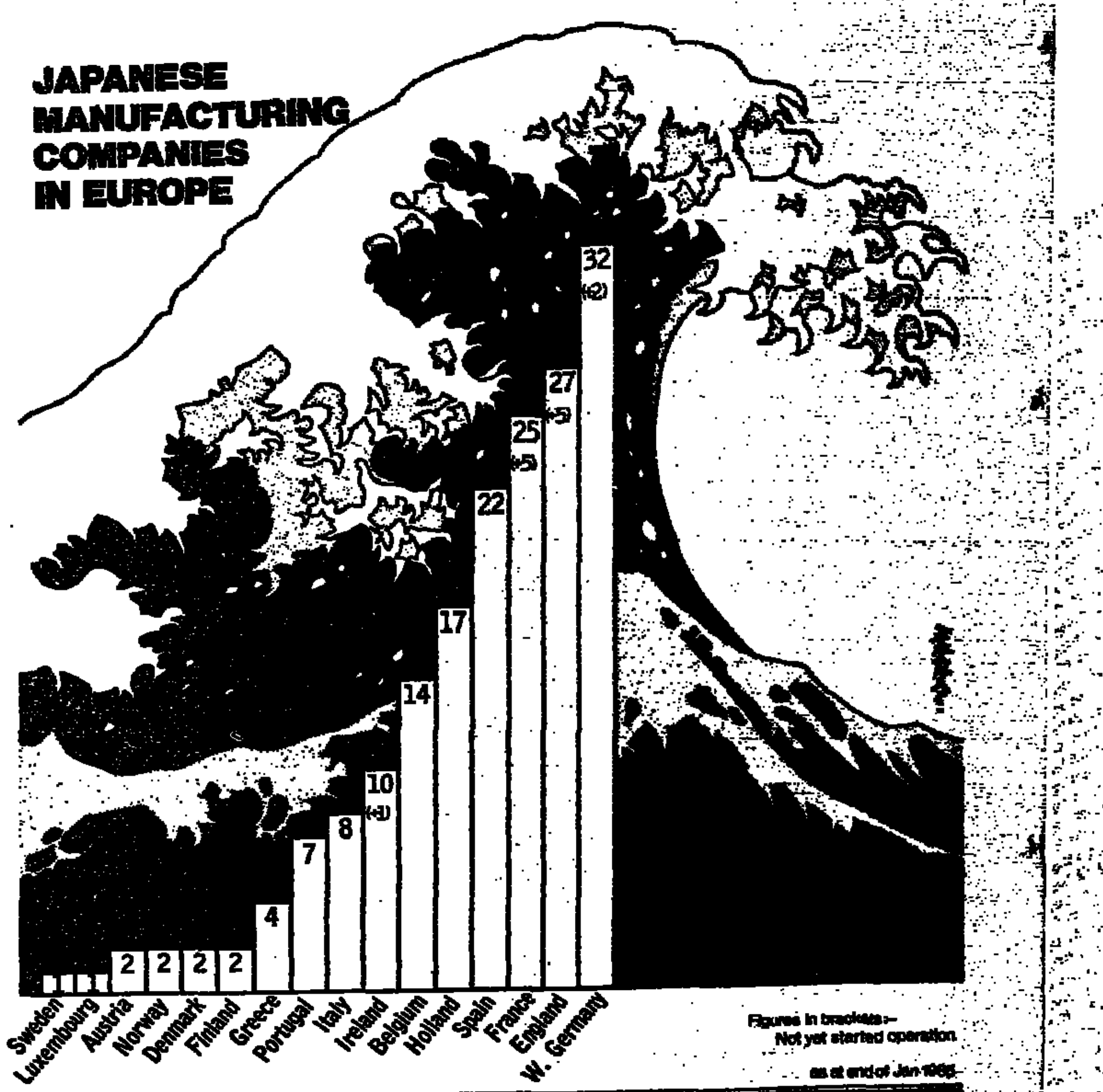
The naval and air manoeuvres taking place this week in the area are not, according to US officials, aimed at intimidating Libya. However they brought a swift response from President Hafez al-Assad of Syria, the Soviet Union's most important Arab ally, who visited Tripoli at the weekend and, in con*junction with Moscow,* warned against further US action.

The risk of superpower confrontation is still high in the Middle East. The US and the Soviet Union have far meatier issues to contend with than the provocations of Col Gadaffi. The response to such a maverick should be carefully tailored to avoid exaggerating his marginal political importance.

JAPAN'S EUROPEAN PRESENCE

Part of the scenery but not yet part of the culture

By Nick Garnett and Ian Rodger



EAST from Dusseldorf through the smog hanging over the cities and tiny dairy farms of North Rhine Westphalia, the main road winds through the small town of Mettmann. Neat to the point of obsession, even its DIY stores decorated with flower boxes, Mettmann is a testament to the wealth pouring from the indigenous West German manufacturing companies to the north and west.

But it is in Mettmann and in scores of other towns and cities in Western Europe that one comes face to face with the power of another and mightier industrial giant.

From a long two-storey factory on the edge of Mettmann, NTN, Japan's largest ball-bearing company has been churning out millions of metal spheroids since it built the plant 14 years ago. In the field alongside, a larger factory will be built by NTN next year as it continues to consolidate its position as the world's third biggest producer.

Running this model of grinding efficiency, organisational orderliness and careful engineering, Mr Yasunobu Suzuki, the 49-year-old white-overalled managing director has left his wife and children in Japan, a sacrifice on the altar of the country's industrial ethic.

NTN is one of more than 200 Japanese wholly-owned or joint *venture enterprises now assembling* or manufacturing in Europe. Half this number is divided almost equally between West Germany, the UK and France. But the Japanese are making an ever-broadening range of products in at least 13 other European countries from Greece and Portugal to Norway and Finland.

Manufacturing everything from videos and TV sets to zip fasteners, lenses, batteries cars, construction equipment and pens, processing aluminium and making steel, the Japanese presence has grown steadily, if quietly and without fanfare.

An increasing number of licencing agreements have also been concluded whereby Japanese companies can dip their toes into an alien environment without committing much cash.

Although the Japanese net has been further spread recently as companies absorb some of their vast cash mountains by buying into or extending their influence in transport and hotels, property development and financial services the Japanese presence *is most visible in manufacturing.*

Japan's manufacturing invasion of Europe is an emotive issue. The Japanese are seen by some as clever engineers and manufacturers to be welcomed into the European club —stable employers with operating practices that could be models for many European producers. To others they are cynical circumventors of quotas and dumping duties, keen to protect component plants at home by avoiding genuine production in Europe. Conspiracy theorists would have it that, not content with the damage inflicted by an insatiable export drive, they are determined to act as the enemy from within.

Whatever their misgivings, Europeans will have to come to terms with Japanese competition on their doorstep. Although Japan's manufacturing companies now produce only 2 per cent of their vast output overseas, a recent report by the Japanese Ministry of Trade and Industry (MITI) forecast that the trend to move offshore would grow: within 10 years, a fifth of the country's manufacturers would be producing 20 per cent of their output offshore.

The rise in the value of the yen is pushing the Japanese firmly in this direction. Two electronic consumer product makers, Sony and Aiwa, say *they are being forced to double* overseas production capacity because of it; complaints from Japanese manufacturers about the impact on the profitability of their domestic plants are frequent. After some dismal profit figures Matsushita Electric announced earlier this month that it will build an electronic typewriter and printer plant in south Wales, its first office equipment factory outside Japan.

Despite the seemingly inexorable advance of Japanese manufacturers into the *European market, the actual level* of Japanese investment in production facilities is relatively small. More than a third of the operations involve capital outlays of between $1m and $5m, according to a survey by the Japan External Trade Organisation (Jetro).

About a third of the 120 Japanese manufacturing companies taking part in the survey were notching up yearly sales of less than $5m (only a sixth of the companies were in the $20m to $100m sales league). Half of all operations *in Europe in which the* Japanese have at least 5 per cent stake employ only 50 to 300 people and the majority of the rest can also be classified as small or medium-sized.

Some strong geographical patterns have also been emerging in the distribution of Japanese investment. West Germany has marginally the largest slice in terms of the magnitude of investment although the number of Japanese owned businesses is the same in Germany and the UK with France not far behind. Only Spain in southern Europe with 22 companies features near the top of the league table.

The highest ratios of fully owned subsidiaries are in the UK, West Germany and the Netherlands. In the Irish Republic, France and especially in Spain, the Japanese have favoured or have been required to accept more joint ventures.

A quarter of all Japanese business ventures are in electronics, and the UK has the lion's share — partly because the British Government has positively encouraged them.

Like the Americans in the 1950s and 1960s, Japanese firms have tended to set up on greenfield sites. Companies like Brother in typewriters, Tokai for disposable lighters, YKK the world's biggest zip fastener maker, Komatsu for earth moving equipment, and machine *tool builder Yamazaki,* are among the many that have followed this route.

While more expensive than setting up a joint venture, this allows the Japanese parent to impose its own rules and methods and to ensure low-cost production advantages over indigenous competitors. This has been a source of friction particularly when the host government provides cash assistance.

By contrast, there have been only a handful of large outright acquisitions—like Asahi Glass's purchase of Glaverbel in Belgium and Sumitomo Rubber's purchase of Dunlop France in 1984.

The Japanese have had mixed results with joint ventures. Two of the most notorious were in the UK electronics industry. Those between Toshiba and Rank and between Hitachi and GEC faced serious conflicts over culture, production and marketing; after racking up substantial losses, the Japanese companies bought out their UK partner's share in both cases.

Nissan is a good example of both a greenfield and a joint venture operation. It has just begun assembling passenger cars at a new plant in the north-east of England where it has had complete control of equipment layout, training and the labour relations structure. Providing it produces the cars people want to buy—and that might be a large assumption—Nissan has established a site with what may prove to be unbeatable low production costs.

In numerous other examples, the Japanese—with their patience, engineering skill and willingness to search for consensus—have proved fruitful manufacturing partners.

Toyoda, the machine tool building subsidiary of Toyota, is one such car. When Ernault Somna, the French machine tool builder which had a long-standing *relationship with Toyoda,* went bust in 1983, Toyoda agreed to help it by setting up a joint venture. Although the move was blocked by the French Government while it tried to devise its own rescue plan for the machine tool industry, Toyoda waited patiently. A partnership was finally signed 18 months ago.

Honda's joint technical and manufacturing arrangements with Austin Rover have given the UK vehicle maker access to new models and badly needed extra sales volume as well as providing lessons in linking design with manufacture by engineering cars that are cost effective to make. It is too early to tell, though, how these two collaborative deals with the Japanese will eventually work.

It is the issue of local content, however, which is the most constant source of tension with Japan's European competitors. Time and again the Japanese are accused of introducing a screwdriver culture, interpreting local content agreements as liberally as possible while confining their purchases in Europe to low value-added components, which does nothing to help the technological progress of indiginous suppliers.

This, the argument goes, strikes right at the heart of why many though not all Japanese companies set up in Europe. Nissan initially decided to assemble cars in the UK to bypass voluntary car quotas. Komatsu says it had been contemplating a European site for some time but it was only after the imposition of EEC dumping duties on excavators last year that it announced the purchase of a factory vacated by its arch rival, Caterpillar of the US, only a few miles from the Nissan site.

Matsushita deny it but observers believe its recent *announcement of the south* Wales plant has not a little to do with the imposition of EEC import duties of 21 to 35 per cent last year on Japanese electronic typewriters.

YKK *is one of the classic* examples of the Japanese "integrated" company structure where the parent supplies not only many of the raw materials for its world-wide production satellites but also the machinery on which the end product is made. YKK is frequently accused of—but denies — deliberately and regularly shifting specifications so that potential European suppliers cannot get a look in.

Certainly many of the licensing agreements fail to deliver to the European companies involved the technical transfer that is often promised with them.

At some point though this behaviour which so many of Japan's competitors refer to as "deviousness" or "sneakiness" does reflect genuine supply problems, at least for some *companies. The European* electronics industry, already battered by their imports no longer makes some of the components in the configuration the Japanese need. The Japanese are very quality conscious and there is little doubt that the dismay they sometimes show about component quality in Europe is frequently genuine.

There is also the issue of price. Komatsu has been telling suppliers of forged metal for its new UK production site that it is looking to pay $740 a tonne whereas the "going price" is more like $1,800. "What about your shipping costs?" one company asked Komatsu. "No problem, we've got our own shipping fleet," was the answer.

The rise of the yen could obviously help European sup*pliers — and its production* equipment makers. NTN, for example, which requires its managers in Europe to purchase NTN-made machinery, has told them they can purchase European manufacturing equipment if they can buy it cheaper.

The Japanese have brought with them many of their indigenous production practices but also show a willingness to fit in with local operating cultures. They tend to keep a firm grip on engineering—posts for engineering and quality managers are usually reserved for the Japanese, unlike personnel, accountancy and even senior positions.

Many Japanese managers, most of whom serve three to five year postings before moving on to some *other part of* the globe, have fitted in well with their European surroundings. Company magazines are full of photos of beaming managers with their European colleagues on the golf course. But in many ways they remain apart.

Yoshiaki Kurokawa, the 43-year-old, pipe-smoking domestic sales general manager for Tokai Seiki in Monchengladbach pays tribute to his West German workforce. Like many Japanese managers he detests the length of holidays, cursing the fact that the plant cannot run 365 days a year.

"We follow the German way, of course, because we are in Germany, not in Japan. The Japanese work like hell but perhaps now I think that this is not so good," he says.

Yet it is Kurokawa and the other Japanese managers at Tokai who alone work in the evenings after the German workforce has left for home, and who come in to the otherwise deserted factory on Saturday mornings to keep the company machine well oiled for the European battle.

Men and Matters

All over an overcoat

Early next month the cream of the City is to be invited to a fashion show in the Fanmakers Hall put on by Crombie, one of the best-known names in the British clothing world, whose cloth is synonymous with the Crombie topcoat.

The intention of the show is not to turn pinstriped brokers, bankers and analysts into fashion buyers but to show them where Crombie, Aberdeen-based jewel in the Illingworth Morris group, is going.

At the same time, Crombie will be showing off its new chief executive, Hary Lack, who, the previous day, will have joined the company from another illustrious name, Jaeger.

"Crombie is a very exciting company," claims Lack, now 46, who was head-hunted following the acquisition of Coats Patons, which owned Jaeger, by Vantona Viyella earlier this year. "It is almost a generic name for men's coats, not just in Britain but around the world."

Lack is an unusual man to find among the display racks of sweaters and suits. He began working life as a petroleum technologist with Shell and can *to this day show a diploma in* the subject to prove his qualifications.

Then at Cambridge he qualified as an engineer with a degree in mechanical sciences before moving into textiles with the carpet firm Stoddart in Paisley.

How he got north of the border he refuses to say beyond muttering "cherchez la femme."

For 15 years he was with Kurt Salmon Associates, part of the time in the US, which should help him in his attempt tot sell to fashion-conscious *Americans.* Then he spent five years with Jaeger, where his particular interest was women's wear.

Chinese puzzle

Until he was arrested by the Singapore authorities in connection with the Pan-Electric crisis which forced a three-day closure of the Singapore and Malaysian stock markets last December, Tan Koon Swan was the epitome of the rags-to-riches Chinese in south-east Asia.

But unlike the overseas Chinese of ancient times, who through sheer hard work and thrift built up fortunes as traders, tin miners, rubber planters and contractors, Tan was a corporate man.

Even today the story of how he took over an exhausted British tin mining company and converted it into a financial, property and plantation group, called Supreme Corporation, is still regarded as a work of a corporate master by many Malaysian businessmen.

Tan 45 started humbly enough. His father was a waiter at the Selangor club, the watering hole of many generations of British expatriates. Tan discovered high finance when working as a tax assessor with the Inland Revenue department.

At 36 he was general manager of Genting, the highly successful casino company, and from there he planned the takeover of Golden Hope plantations. Although the plan was thwarted by Harrisons & Crisfields which merged Golden Hope into Harrisons Malaysian plantations, Genting reaped a hefty *profit* by unloading its *stake.*

From Genting, he moved on to Multi Purpose Holdings, the investment arm of the Malaysian Chinese Association, the largest Chinese political party. He combined his corporate flair with the party's extensive grass-root contacts to tap the savings of Chinese farmers and petty traders to build MPH from a shell into a conglomerate. MPH however has fallen into bad times with loss of US$73m last year.

From MPH, the next step was the presidency of the MCA itself, which he won last November, after an 18-month long, bitter power struggle. It was a pyrrhic victory for within a week, the Pan-Electric crisis was upon him.

The two year jail sentence now puts his political future, and his still substantial business empire in grave jeopardy.

"Perhaps we should just bid for the 1992 Olympic swimming and watersports."

Venice unserved

Venetians don't know what to make of *Augusto Salvadori.* The 49-year-old city councillor in charge of local tourism has become an object of derision and anger, but he insists he is doing the right thing.

He has banned the singing of O Sole Mio by gondoliers and ordered the police to turn water cannons on young tourists who clutter the city with sleeping bags.

Strange decisions, the Venetians think. But Salvadori, an ambitious Christian Democrat, says it is sacrilege for Venice gondoliers to sing a Neopolitan song. And he thinks the prospect of them punting up and down the canals in full voice is too noisy. So are the young tourists in sleeping bags.

But Venice is up in arms. Arrigo Cipriani, boss of Harry's Bar says: "The world is laughing at Venice. We are becoming a provincial town with too many complexes." And the gondoliers, who have entertained tourists for so many years, are furious.

Salvadori says his bans will create "order and hygiene." On top of that he revels in media attention. "All of America saw me on television," he says. "I got three minutes, do you understand, three full minutes of air time, all for me."

Meanwhile, the gondoliers, in a Venetian form of civil disobedience, are still singing O Sole Mio.

Exterminate

The first reported suicide by an industrial robot has occurred in North Baltimore, Ohio.

The machine was well-loved and known to her human colleagues as Josephine. One day she was laying down a long and complex bead of adhesive and working, says the firm, Budd and Co, "with precision and a neatness that only robots can achieve."

Then Josephine suddenly ignored the glue, picked up a fistful of highly active solvent, and shot herself in her electronics-packed chest.

Budd mourns Josephine's memory and has replaced her by another robot called Ruth.

Well reviewed

A slick salesman is advertising in the Lambeth Star: "Eleven famous hardback books by unknown authors."

Observer

REGULATING UK ACCOUNTANTS

Age of the all-purpose salesman

By Lionel Barber

AS MANY senior accountants return from the summer holiday, it is a fair guess that one item will be waiting for them on their desks. The document is 77 pages long and contains proposals which, if implemented, spell the biggest upheaval the UK accountancy profession has seen for 40 years.

The government's recently published consultative paper on the regulation of auditors has already been greeted with squeals of protest. Radical, dangerous and misguided are among the more sober adjectives used by top practising accountants. The profession, unused to the regulatory spotlight, wants this document quietly shelved.

There are signs that the Government has other thoughts. Department of trade civil servants who drafted the proposals—the most controversial of which include the regular rotation of audits and the segregration of auditing from management consultancy—are positively chirpy at the thought of sparking a public debate. Their minister, Mr Michael Howard, is similarly minded.

The consultative paper is the official UK response to a new European Community company law directive which requires legislation in the UK by January 1990. By far the most important requirement is that audits are carried out "with professional integrity" and that there are "appropriate safeguards in law" to protect auditors' independence.

The open-ended nature of this requirement has allowed the government to slip in its own proposals on rotation and segregation of audit work which are now at the centre of the debate. Some leading professional figures such as Mr Brandon Gough, senior UK partner of Coopers and Lybrand, believe they go beyond what is required by EEC law.

But this appears to miss the point of the argument, which partly turns on the fact that the last time accountants came under the regulatory microscope was in the 1947 Companies Act. More seriously, some commentators view with unease the rapid expansion of accounting firms into a wide range of financial services such as tax, insolvency, management consultancy and corporate finance in addition to bread-and-butter audit work.

Is there not scope for conflicts of interest which could prejudice the essential audit

The profession's dilemma: business is booming but there is plenty of scope for conflicts of interest.

function which is to ensure that companies give a fair and accurate reflection of their financial performance in the accounts? More broadly, is the profession's self-regulatory framework adequate to cope with these conflicts?

The questions are more pressing than usual in the light of the dramatic change in the public perception of the auditor's role in the past five years, mainly due to one financial phenomenon: fraud.

Auditors have traditionally confined their role to act as back-stops against management fiddles. Now they are going to be required by the Government to breach client confidentiality in certain circumstances and report suspected fraud to the regulatory authorities.

Accountants, therefore, find themselves assailed on several fronts. And this at a time when, to quote a senior partner of one of the Big Eight accountancy firms, "business is booming, recruitment is going great guns, and competition between us all has never been stiffer."

In 1985, most of the Big Eight firms, which include Peat Marwick, Coopers & Lybrand, and Price Waterhouse, reported fee income up by at least 20 per cent. In the UK last year one in every 10 graduates leaving university or polytechnics and entering first-time employment, joined a firm of chartered accountants to gain the necessary qualifications.

Accountancy is clearly a thriving and popular profession and most practitioners would agree with Mr Bryan Blackborn, national audit partner of Deloitte Haskins & Sells, when he says that the expansion of financial services merely reflects client demand. "Our clients *have the right to receive a* round package of services. It is to their benefit and to the benefit of the investing public."

Wider professional services have, nevertheless, followed competitive pressures in audit work. Accountants have been forced to seek new growth areas, the most lucrative of which is probably management consultancy. Firms such as Price Waterhouse report a steady annual growth of between 15 and 20 per cent in management consultancy work.

There is no doubt that accounting firms have used the audit base as a springboard for the new professional services. It is after all the natural furrow to plough since the firm, through its auditing team, is already *in situ*. The potential *problem lies in the dual role* of the firm if it lands a consultancy contract: on the one hand management consultants by their very name are tools of management; on the other the auditor is supposedly acting as a check on management on behalf of the company's shareholders.

"This is a purely theoretical problem," says Mr Harold Cottam, UK managing partner of Ernst and Whinney, "where is the evidence?" he says.

According to the Institute of Chartered Accountants, the largest professional representative body, only one case of serious malpractice in this area has come to the attention of its joint disciplinary committee in the past six years.

Further down the ranks among practitioners in the accountancy firms, the picture is a little more blurred. One management consultant at one of the Big Eight firms reckons that audit fees are being slashed by up to 50 per cent, merely so the firm can keep its foot in the door to capture the more profitable consultancy work.

One result of hiving off management consultancy work from audit work would be to restore margins in auditing. The difficulty is the wholesale upheaval it would cause for accountancy practices and the possible damage it would wreak on recruitment.

So far, so bad. What about the government's proposals for rotating audits every five years? Mr Don Hanson, senior partner of Arthur Andersen's UK operations, describes it as an "interesting idea."

But Mr Hanson's rivals point out that Arthur Andersen, with a far larger management consultancy caseload than audit work, could only benefit from rotation. Indeed, there is some evidence to suggest that, in the UK at least, competitive tendering would serve the interests only of the big firms.

More power to the Big Eight will mean more expansion into diversified financial services. Self-regulation becomes a little more suspect when one is confronted with the new breed of all-singing, all dancing accountants who

Some firms wonder about the effectiveness of the self-regulatory bodies such as the English Institute which still watches over the individual rather than the collective firm. The Institute wants to extend its powers to cover firms, but some of the Big Eight have their doubts.

The government has floated the idea of a new body, along the lines of the General Medical Council, to oversee the accountancy profession. Whatever the outcome, the impeding changes in the law governing the regulation of auditors will mean more state interference, even if the new powers to be assumed by the Secretary of State for Trade will probably be delegated to the supervisory authority.

Mr Cottam is not the only accountant to spot the paradox. "At the very time when the government is deregulating the financial markets, it wants to introduce more state regulation in the accountancy profession. One is tempted to say 'Give us a break!'"

Regional Development Agencies

England should avoid importing an illusion

By Chris Moore and Simon Booth

THE NEXT ELECTION will be won or lost on the basis of three key issues: unemployment, public services and urban *decay*.

Pundits are now seeking new models to combat these complex problems to ensure the survival of the Tory Government. Leon Brittan recently proposed setting up development agencies for the English regions on the basis of the experience of the Scottish Development Agency which he felt had transformed Scotland into one of the more prosperous parts of the UK.

Michael Heseltine also argues for a new partnership between central and local government and the private sector, and an integrated approach within the public sector: "To provide the single mindedness that is required, a new National Urban Renewal Agency should put England on a par with the Scottish and Welsh Development Authorities."

What is it that has made the agency so fashionable across the political spectrum?

The appeal of the SDA provides a superficial rationale for the English to establish similar agencies. The SDA brings together a wide range of essential powers for local economic regeneration which in England are split between several bodies. It is thus able to offer businesses an integrated package of aid including finance, premises, advice and promotional powers.

It is a fundamental mistake, *however, to believe that the* Scottish Development Agency is a model to save the economies of England's derelict regions. But it is a mistake which could well be made if the current political bandwagon for regional development agencies is successful.

The United Kingdom is not a uniform political system. Scotland *is* different. There is no English equivalent of the Scottish Office which can bring together a whole range of governmental responsibilities under one minister. The SDA is thus responsible to one political master. In England who would regional development agencies answer to? The Department of the Environment, the Department of Trade and Industry or the Treasury?

It is erroneous to believe that successful public intervention in the market economy is simply dependent upon having ade*quate powers and resources. It* is critically about being able to generate a consensus amongst different economic interests.

Three factors have been of critical importance in the creation of a Scottish consensus. First, the *cultural catalyst*. Despite class differences Scotland sees itself as a nation. This has manifested itself most recently in the overwhelming consensus to save Ravenscraig. Second, the *elite networks*. A community of interest exists in the Edinburgh-Glasgow corridor between the industrial, commercial, financial and political elites. This enables intimate relationships to develop between individuals based on mutual trust, quite unlike the more functional and distant relationships south of the border. Third, *instrumental institutions*. The unique matrix of Scottish political and financial institutions underpins and reinforces the sense of community and ensures the operational capacity to act in an integrated fashion.

English regions lack both the necessary institutional infrastructure and sense of identity which provides such a unique environment for the SDA.

But supposing these factors were not major obstacles to the creation of English agencies, what would be their likely impact on the regional economies? Again English politi*cians appear confused about the* precise purpose of the SDA.

The SDA was not created to rescue the old conurbations, but to act as a stimulus for the development of the *regional* economy. It has become identified with urban renewal because of its co-ordinating role in one of the most significant urban projects in the West of Europe—the Glasgow Eastern Area Renewal Project. But the agency did not seek this involvement.

The English may want short-term solutions to urban disintegration, but the SDA does not offer instant remedies. It has taken five years to change perceptions of GEAR but prob*lems of unemployment* remain desperate.

The SDA seeks to build on success. It has a high profile in attracting new inward investment from American and Japanese electronic firms to "Silicon Glen." *It has encour*aged the emergence of indigenous Scottish enterprise. But it has shown a marked reluctance to encourage alternative forms of enterprise like community businesses and co-operatives which could specifically target on the needs of the long term unemployed.

What of the future? Is the agency a real option for England? Are there alternatives? The English enterprise boards which continue in the wake of the abolition of their *metropolitan county sponsors* are one option. But for Whitehall they are ideologically suspect, displace market forces and represent a loss of control by the centre. *The Government* would prefer to see the further growth of private sector enterprise trusts. But after some five years their impact has been uneven and they are under pressure to become more commercial.

The Glasgow experience has shown that the problems of the inner city cannot be isolated from the wider conurbation. This points not to inner city development corporations or enterprise trusts but to regional agencies able to take a wider view. Here the experience of the SDA is relevant. But, if similarly powerful agencies were to be set up in England, this would need a revolution in the struc*ture of government at the* regional level.

Regional development agencies cannot simply be treated as an institutional issue. They raise major political problems about the relationship between central and local government and an appropriate system of raising local revenue. And even with strong regional agencies, what political ideology will guide their role? If they are to follow the SDA and base their intervention on the market then how far will the problems of inner city decay be resolved?

To avoid a fundamental illusion these issues need to be part of the current debate.

Chris Moore is a Research Fellow and Simon Booth is a lecturer in the Department of Administration, Strathclyde Business School.

Letters to the Editor

The tide of imports

From the Economic Development Officer, Humberside County Council

Sir,—The present speculation about the future of freeports in the UK is sad, but hardly surprising. Although the existing promoters are struggling against an unwilling Customs and Excise, the more fundamental problem which most of them face is simply that the freeports are in the wrong place.

When Sir Geoffrey Howe as Chancellor first put forward the possibility that freeports might be declared, some criteria were set out which would have to be satisfied in order to qualify. Foremost amongst these was the requirement that freeports should be located in places which could demonstrate existing commercial success. Freeports, it was said, were not to be an instrument to prop up faltering economies, but would build upon success.

In Humberside, private sector consortia put forward four bids. Since seaborne traffic through the Humber estuary had grown by 12 per cent in the preceding four years and continues to grow despite the recession in world trade, we felt that we had the ideal location for a UK freeport.

In the event, the chosen sites were by and large located in areas with declining trade. The cynics amongst us suggested that this was a deliberate ploy by the Customs and Excise to ensure that the experiment should fail. Then, with freeports discredited, the whole thing could be conveniently forgotten.

It would be a bold move at present to allow areas such as Humberside to prove that freeports can succeed in the UK, but this is a challenge to which the Treasury should now respond. Despite the faltering start of the experiment, it is not too late to reconsider the Humberside bids and to allow a freeport seed to fall upon fertile ground.

John Siddall,
County Hall,
Beverley,
North Humberside.

VAT cut to ease recession

From Mr W. Grey

Sir, — If you were right, in your leader ("Economies that need a nudge" August 23), that "the safe course (to avert the threat of a world mini recession) would seem to be modest action which could be discontinued as soon as growth picks up," a possible instrument for such action, to be employed by countries (not the UK) with a healthy current account surplus, would be a cut in VAT (or the like) which from the outset was declared to be of temporary duration.

This would, for the time being, act as the pro-spending/anti-saving incentive which, as you pointed out, the underlying situation in those countries calls for.

Incidentally, the temporary tax revenue loss would probably, before long, be offset by the tax revenue gain induced by the consequent stimulus to employment and to business activity generally.

W. Grey.
12, Arden Rd,
Finchley, N3.

Penal levels of interest rates

From Mrs Rowena Mills

Sir, — In your excellent leader "Problems of an offshore island" (August 21), you state: "The Government can do little to offset these depressing influences. . . ."

However, there is one most important single step which would go an enormous way towards resolving the many problems. That is, to reduce interest rates from the current penal level of 7.6 per cent in real terms.

Interest rates are kept high in order to constrain the level of inflation. Thus, by maintaining the high level of sterling, the cost of imports of both raw materials and finished goods are kept low. So, of course, we will end up with an adverse balance of payments!

Much worse, however, the huge inflow of competitively priced goods combined with the difficulty of exporting at an uncompetitive price cannot but have a direct effect upon the level of manufacturing production in the UK and hence upon employment. Certainly this is totally true of the industry with which we, as a company, are heavily involved — the package manufacturing industry.

Not only does the finished packaging come in at a highly competitive price, but increasingly supplies of (packaged) food and drink are being sourced by the multiples from abroad.

To compete with that imported packaging we need investment in the latest technology. But how can this be economic at such prohibitive lending rates?

If only the Chancellor would look back to the first hike in interest rates — in November 1979 to a level of 17 per cent— and trace the depth of our recession and subsequent manufacturing performance (we are still operating at 4 per cent to 5 per cent below 1979 peaks) and compare this with that of our EEC competitors, and their history of real interest rates!

Rowena Mills.
Chief Executive,
Rowena Mills Associates.
PO Box 594,
London W8.

A Big Bang for lawyers

From the chairman of the Northern Society of Conservative Lawyers.

Sir,—Hazel Duffy (August 7) pointed to the perplexing problems facing the legal profession. Given that lawyers have no option other than to revolutionise their practices, will the professional bodies face up to the need for our Big Bang?

Their response, so far, has been disappointing, not least in the campaign conducted by elements of the Law Society against the Bar. Perhaps, having woken us up, the Government should initiate a realistic examination of the profession's future.

We might start by tearing up the rule book, and starting again; anathema, perhaps, to common lawyers, but desirable when we are so manifestly a long way down the wrong road.

J. G. Hardman.
Brazenose House,
Brazenose Street,
Manchester M2.

The lesson of Chernobyl

From Mrs Ann Barrett

Sir,—In your Leader, "The Lesson of Chernobyl" (August 22) you dispute the idea that "nuclear power can never be made adequately safe" and compare its operation to that of an aircraft. Perhaps it may be possible, one day, to ensure that nuclear power stations operate without the risk of accidents like Chernobyl, but how can their routine discharges of radioactive gas or water ever be made safe?

Intelligent people know that radiation does not just "go away." Once it is in the sea and the atmosphere it is there for thousands of years and it is accumulating all the time.

The recent news that the whole of Scandinavian Lappland is contaminated by fall-out from Chernobyl and now unable to support human life—the previously self-sufficient Lapps can no longer eat the reindeer meat, fish or berries that were their staple diet—fills me with apprehension for the future of our children.

The Government and the CEGB argue that we must have nuclear power to maintain our "high standard of living," but I would rather go back to using candles and see my children healthy than see them sitting in front of their videos and dying of leukaemia and so, I am sure, would any mother.

Ann Barrett.
59 Hinton Avenue,
Cambridge.

Industry's views on research

From Mr Martyn Furnish.

Sir,—I read Mr Street's response to your "Alvey at the *crossroads" article (August 15)* with not a little alarm. Certainly I hope that these attitudes towards academics and fundamental research do not represent general views from British industry.

Recent industrial history has demonstrated that both government and private sector companies, if left to their own technological planning, are unable to see much beyond four or five years. Alvey represents a significant change in that thinking.

Far from being some kind of plaything for academics, it involves government, industry and the industrial professions.

As for the phrase "artificial intelligence" leading us to "Blubberland," is it any harder to define than "artificial grass?" Any word or phrase is open to debate (and frequently worthwhile debate) by linguists and philosophers. Accountants, engineers and economists are all quite used to employing models which may defy precise definition, but which are seen to be useful in arriving at valuable solutions. As an expression "artificial intelligence" is just such a model.

I would readily accept that the computer cannot reason, but it can be made to *appear* to reason (which in passing, seems a good definition of artificial intelligence). A great benefit of massive numerical power is the ability to arrive at answers from something which is not well-defined. Truisms about computers doing only as they are told only serve to mislead in this regard.

A question and answer expert systems database could easily be kept in dozens of heavy paper-full volumes. The point of computer-based expert systems is to use large volume of data and experience to reason artificially and so offer solutions. To dismiss computer-based expert systems as not viable beyond question and answer, tree-and-branch networks is to misunderstand the whole of the driving force behind that part of the project.

Martyn Furnish,
67, Sutherland Way,
Stamford, Lincs.

FINANCIAL TIMES
Wednesday August 27 1986

MANUFACTURERS 'SCEPTICAL' AS EXPORT DROP THREATENS PROFIT RECOVERY

W. German steel orders slide

BY PETER BRUCE IN BONN

THE strong recovery in profits over the past two years in West Germany's steel industry – the biggest in Europe – is being threatened by a dramatic fall in exports and the failure of two European Community steel price increases earlier this year to take effect.

Growth in the steel market in West Germany, where the Bonn Government claims a substantial economic recovery is under way, has apparently not been strong enough to compensate for the damage.

The West German steel industry association expects total raw steel production in the Federal Republic to fall 6 per cent this year, to about 38m tonnes. Officials say manufacturers have become "sceptical" about prospects in the medium term.

In the first six months of this year, total orders in the steel industry fell 9 per cent compared with the same period last year. Exports to third countries – those outside the EEC – plunged 30 per cent and orders at home fell 2 per cent. West Germany's trade surplus in steel will be around 2.5m tonnes this year – half 1985's level.

The German steel industry made a remarkable, largely export-led, recovery in 1984 and 1985. Thyssen Stahl turned a net loss of DM 416m ($203m) in 1983 into a DM 176m profit in 1984. Krupp Stahl lost DM 287m in 1983, made a profit of DM 21m in 1984 and doubled that last year. Hoesch improved net profits from DM 28m in 1984 to DM 282m last year and even Klöckner-Werke's steel division, which has suffered chronic losses for most of the 1980s, was believed to be operating at a profit earlier this year.

Producers and the industry body blame the weakness of the dollar against the D-Mark, and measures by Washington to protect US steelmakers against imports, for much of the current uncertainty.

Financing problems in oil producing countries, as well as an unexpected hesitancy in the Soviet Union to buy steel, are also cited as reasons for today's difficulties. It seems clear that the buoyant West German motor industry is, to a large extent, carrying the steelmakers on the home market.

Krupp Stahl, confirming a trend observed by others, says that the worst falls in demand were for so-called long products – rods, bars, constructional profiles – in both normal quality steel and in Krupp's specialist product, stainless steel. The company said the market was fragmented at the moment. While the motor industry was providing good orders for quality flat steels, exports were "very difficult." The stainless steel sections market was "hesitant" but demand for flat, stainless product was satisfactory.

Thyssen Stahl said that, while a general downturn in orders was noticeable, the market for heavy plate was particularly bad and the group, the country's biggest steelmaker, was on short time working in its main heavy plate mills.

The market for heavy plate is dependent on offshore structures for the oil and gas industry, which has cut back fiercely on investment. Thyssen also said that orders for the plate from the nuclear power industry, which uses it for containment had fallen sharply. A grave crisis in the West German shipping industry has also hurt steelmakers across a wide range of products.

Thyssen said the present weaknesses in the company's general steel markets could deteriorate next year.

German producers had hoped that two European Community price increases, each worth around DM 30 per tonne, would enable the industry to continue its recovery uninterrupted this year. But it is now clear, say producers, that the first price increases in January only proved sustainable at between DM 10 and DM 15 and that a second, similar rise in April did little better. On most products, and almost all long products, said one major producer, "price rises have been unravelling since May."

What the German producers most fear now are signs that the European Commission in Brussels will attempt to further liberalise the EEC steel market, which has for years been subjected to price and production regimes. Output quotas have already been lifted on some products and Commission officials are believed to want to lift more.

The Germans argue that while state-owned industries are still being subsidised, the removal of production rules would be reckless. Much to their relief, Bonn has begun to side with them.

Norway may join moves to reduce oil output

By Lucy Kellaway in Stavanger and Max Wilkinson in London

THE NORWEGIAN Government is to open talks with the leading oil companies with a view to reducing production from North Sea fields, Mrs Gro Harlem Brundtland, the Prime Minister, said yesterday.

Oil prices firmed on both sides of the Atlantic after the Norwegian premier suggested her country could follow Mexico and the Soviet Union in supporting the efforts of the Organisation of Petroleum Exporting Countries (Opec) to limit world output of crude oil.

In Europe the spot price of Brent crude rose 30 cents to $14.15 per barrel, while on the New York Mercantile Exchange the price of crude for October delivery was up 38 cents to $15.87 by early afternoon.

Mrs Brundtland said at the opening of the Offshore Northern Seas conference in Stavanger that any cuts in Norwegian output would come from delaying future development rather than curtailing existing production.

She said Norway was assessing its position and was about to start talks with the oil companies on "how possible restrictions in production best can be implemented." A firm decision is expected early next month.

Norway produces about 900,000 barrels of oil a day, about a third of the output from the UK sector of the North Sea. UK production, however, has now passed its peak and is set to decline. Under present plans, Norway's output could rise to more than 1m b/d next year as new developments come on stream.

The Opec countries have agreed to limit production of crude to 16.8m b/d for an experimental period of two months from September in an effort to push world crude prices up to about $18 per barrel. This is a cut of about 3.5m b/d from recent levels of Opec production. Mexico has said it would help by curbing its output by 150,000 b/d while the USSR has offered to cut exports by 100,000 b/d.

Although these cuts are regarded by many oil analysts as little more than tokens, they appear to have contributed to a steadying of market sentiment.

Mrs Brundtland said yesterday the effect of a Norwegian cut in output could have more than just a psychological impact on the market. In conjunction with the cuts already announced by other non-Opec oil producers, it could lead to a rise in oil prices.

The UK has refused to co-operate with recent Opec efforts to reform an effective cartel. Ministers have emphasised that Britain is a large consumer of oil as well as a producer so that lower prices may provide a net economic benefit.

The British Government, however, would probably be privately relieved if crude prices recovered to about $18. This is partly because the fall in oil prices has given a less than expected stimulus to the world economy. Meanwhile, the impact on North Sea exploration and oil industry jobs is beginning to cause serious concern in Whitehall.

It may be for this reason that Mrs Margaret Thatcher, the British Prime Minister, has agreed to visit Mrs Brundtland in Oslo next month.

THE LEX COLUMN

A vote of some confidence

Share price movement is not necessarily a clear guide to market sentiment about a company's actions. Consider the case of Boots. The share has fallen by almost 20 per cent in the wake of the proposal to pay upwards of $555m for Flint Laboratories, a drug manufacturing subsidiary of Baxter Travenol. Yet it is hard to find a fund manager who is prepared to vote against the board's proposals at tomorrow's egm.

To an extent this is not a reconsideration of the merits of an expensive deal. The fear is that to vote down such a major strategic acquisition would be to pass a vote of no confidence in the management and thus precipitate chaos which would damage the shares still more. A similar argument may well prevail when Guinness puts its revised board structure to the vote. In Boots' case a contrary analysis might be that such a course of events would be the natural prelude to a bid that might enhance the share price. But this machiavellian approach seems not to appeal. In particular the institutions whose votes will swing the issue are already tacitly committed to the deal by their willingness to take 184m new shares as vendor placees to make the whole thing possible.

Some of the other companies in the field question the price Boots is paying. But it is impossible to be the highest bidder of 60 companies in a sellers' market without paying a very large strategic premium. Boots has clearly been most influenced by the profits it lost from the 1950's onwards by giving Upjohn the US licence for its drugs. It is possible that Boots would have made well over $100m more if it had had its own US distribution arm. But that is still a lot less than it is paying for Flint, and there is no certainty that the drugs Boots plan to push through the US in the 1990's will be as successful as the arthritic drug it handed over to Upjohn. But at this stage Boots should be given the benefit of that doubt.

Templeton, G & H

Is there enough equity to go round? That sort of question is usually posed towards the end of a bull market and those who asked it in 1973 soon found out there was more than sufficient. Nowadays the weight of money sums are being done on a global basis. When fund management groups like Templeton, Galbraith & Hansberger start quoting worldwide pension fund values – now $2,275bn but growing to $7,700bn in 10 years – and comparing them with the world's total stock market capitalisation of well over $3,000bn it is all too simple to conclude that markets must go up forever.

When profits rise at the 47 per cent rate Templeton achieved in the six months to June, reaching $23.2m pre-tax, it is easy to find reasons for a perpetuation of the trend. Selling mutual funds is hardly an effort and the high level of sales in the first half should work through to profits in the second and beyond when the management fees roll in. The new high income fund due in the autumn, where initial sales of $300m are expected, should keep the momentum going.

Much as Templeton dislikes the "contrarian" tag, it might prove a better performer than its rivals in a bear market. With its computers scouring the world for undervalued stocks, and its long-term perspective, Templeton hopes to find the next Japan among developing markets such as South Korea and Brazil, while making slightly quicker profits in markets like Australia and Canada despite weak currencies. Templeton's biggest mistake was to sell Japan when the multiple started looking high. With only 1 per cent of its funds under management there, it has missed the 50 per cent rise this year as well as the yen appreciation.

Templeton's own policy of avoiding new issues in the belief that they are not good value, was justified with its own flotation at 215p in February. Yesterday the shares closed up 8p at 213p. Now investors can look to a prospective multiple around 13 instead of an historic 20 the shares look better value – so long as the bull market continues.

Taylor Woodrow

Taylor Woodrow is not in business to flatter its interim figures, or even, it sometimes seems, this or next year's profits. As a result the shares are regarded as a slow but sure investment, commanding a premium rating but rarely providing excitement. Profits up by only 2.7 per cent to £30m in the half year to June are therefore no cause for alarm, and left the shares unchanged yesterday at 332p.

The profit gain is the usual reconciliation of swings and roundabouts with lower property sales and difficult overseas contracting conditions offset by property rental growth and housebuilding. The odd small loss here and there is worth bearing to keep the name known around the world, and maybe one day even the Middle East market will pick up again. It would be wrong to expect much in the way of a pre-election boom in UK construction given the long lead times on work.

A higher level of property sales in the second half should help profits to $58m for the year compared to £53.7m last time, and earnings should be slightly ahead despite the effect of last year's rights issue. A multiple just under 14 will put the lid on short term performance.

Abbey National launches £500m Eurobond

By Alexander Nicoll in London

ABBEY NATIONAL Building Society, the UK mortgage lender, yesterday launched the largest-ever sterling Eurobond, a £500m ($749m) issue which met a cautious welcome in the market.

The move underlined the growing reliance of Britain's building societies on wholesale funding as demand for home loans has grown while inflows from investors have been sluggish.

Mr Clive James, Abbey's treasurer, said: "We have a full mortgage lending commitment and the wholesale market gives us the opportunity to fund this in a cost-effective manner."

Abbey's funding is now 8 per cent from wholesale sources, compared with a 20 per cent government-imposed limit for the industry and rates above 10 per cent at some other building societies.

Because of the five-year issue's large size, it was expected to take some time for the market to digest. This was particularly so since its terms were not seen as generous to investors, with the interest rate set 0.08 percentage points above the London interbank rate for three-month deposits. The price was just above par value at 100.05.

Samuel Montagu, the merchant bank which lead-managed the issue, said the bond was deliberately assigned tight terms in order to set a benchmark against which to compare other issues in the sector. The large size, it argued, would help the bonds to trade well in the secondary market.

Abbey's issue is the second in what is expected to be a flurry of issues by British building societies in the next few weeks. Britannia Building Society made a £150m issue on Friday, and other borrowers earlier in the summer included the Halifax, Nationwide, Abbey itself, and Alliance and Leicester which until yesterday held the record for the largest Eurosterling issue at £300m.

Their borrowing has helped the sterling sector of the Eurobond market to develop significantly in a year which has seen strong new issue volume in every major currency due to declining interest rates.

From next year, building societies will be able to borrow in currencies other than sterling.

International capital markets, Page 13

American Brands sheds jobs in US and UK, writes off $100m

BY ANATOLE KALETSKY IN NEW YORK

AMERICAN BRANDS, the third largest US tobacco company, which also owns Gallaher in the UK, yesterday announced a rationalisation of its worldwide manufacturing operations, involving a $100m write-off and job losses in Belfast, Northern Ireland and North Carolina.

The company also announced its second dividend increase this year, although the writeoff will leave third quarter and full year net income below the year-earlier levels. In 1985, American Brands made net profits of $421m and operating income of $898m on sales of $7.3bn.

The higher dividend, which is accompanied by a two-for-one stock split, will raise the annual payout by 2.7 per cent, to $4.16 on an unsplit basis. American Brands' share price rose $⅝ to $93⅜ on Wall Street shortly after the announcement. The stock split takes effect on September 10.

Mr Edward Whittemore, chairman, explained the writeoffs and dividend increase as part of "our strategy of streamlining operations to enhance long-term profitability as well as our tradition of sharing earnings growth with our stockholders." Although the writeoffs would reduce net income, they would have no effect on operating profits and sales growth, which were likely to remain strong, Mr Whittemore said.

The main rationalisations announced yesterday include the closure of the company's 100-year-old cigarette plant in Durham, North Carolina, and of the Gallaher tobacco factory at Henry Street in Belfast. Many of the 1,000 employees from Durham will be transferred to the company's modern plant at Riedsville, North Carolina. In Northern Ireland, about 450 of the 1,150 jobs will be restored at other Gallaher plants.

American Brands has been under increasing pressure to improve its performance recently after losing market share to Philip Morris and RJR Nabisco, the two leading US tobacco companies.

The wave of takeover bids in the US consumer products industry pushed American Brands shares up by nearly 60 per cent during the first half of this year, on the strength of speculation that the company might be a likely bid victim. But after peaking in early July at $105, a price which valued the company at more than $6bn, the shares have drifted as a bidder has failed to materialise.

UK job cut details, Page 7

Investors to back Guinness

BY LIONEL BARBER IN LONDON

MAJOR institutional shareholders in Guinness, the UK drinks and leisure group, intend to vote for the proposed controversial board changes at next month's extraordinary general meeting, despite strong reservations about the way Guinness management has handled the affair.

The groundswell of support for Guinness and its chief executive, Mr Ernest Saunders, emerged yesterday during a straw poll of nine senior fund managers who control substantial blocks of Guinness shares.

The fund managers interviewed are employed by some of the UK's leading insurance companies and pension funds. They agreed to offer their views on condition that they were not indentified.

The majority of institutions appear to believe that the controversy over the board changes has died down following the intervention of the UK regulatory authorities led by the Stock Exchange and the Bank of England.

Last week, in response to the pressure, Guinness published a circular explaining why it scrapped a group board to be chaired by Sir Thomas Risk, Governor of the Bank of Scotland, following the successful £2.5bn ($3.7bn) takeover of Distillers, the international drinks business. It also set out a new non-executive committee of directors with the power to hire and fire the chairman – in this case Mr Saunders, who intends to combine the role of chairman and chief executive.

One senior fund manager said: "It looks a reasonable compromise. We don't want to lose Mr Saunders and so we are going to vote for him."

Another fund manager said: "We don't really have a choice. Mr Saunders and his team have a major management job on their hands to turn around Distillers. But Mr Saunders is very much on trial. He can't afford another mistake like this again."

● Guinness repeated yesterday that it intended to broaden its equity base by securing a listing on a number of overseas stock exchanges including New York and Tokyo. The New York listing is unlikely until next year and it may take until 1988 for the Japanese regulatory procedure to be completed.

Banking curbs hit Pretoria

Continued from Page 1

management and inadequate banking supervision by the monetary authorities must take much of the blame. This is a deficiency which is being remedied," he said.

He also rejected the concept of a "siege economy" which might confer benefits on some domestic industries by reducing foreign competition but would, at best, be limited and short-lived.

"A siege economy would inevitably tend to become a tightly regimented one, subject to a maze of bureaucratic controls.

Two-year sentence for Tan

Continued from Page 1

Association (MCA) Mr Tan is also an MP and former Cabinet member.

Although the Malaysian constitution provides for disqualification only if an offence is committed within Malaysia, a two-year jail term would almost certainly make it impossible for him to retain the leadership of the MCA and his seat in parliament.

His business empire, which is still substantial, will also be affected. Mr Tan and his family are believed to control about 40 per cent of Grand United Holdings, which in turn controls Supreme Corporation and Everpeace.

The three companies were suspended last December. At their last traded price, GUH had a market capitalisation of $104m, and Supreme one of $130m. Their current values are considerably less. Several attempts by Mr Tan to sell his stake in GUH and Supreme during the past year have failed.

Mr Tan's party has recently emerged from a protracted and bitter internal power struggle and was humiliated at the recent Malaysian general election. Its continued support for Mr Tan as leader must now come into serious question.

France to cut budget deficit

Continued from Page 1

tion rate at the end of July was 2 per cent after a 0.1 per cent increase in the consumer price index for the month. The trade account in July showed a FFr 1.5bn surplus, seasonally adjusted, after several months of deficit and real gross domestic product in the second quarter rose at an annual rate of 4.4 per cent.

The Government is counting in part on a continuing higher growth rate next year to carry through the tricky exercise of both cutting the budget deficit and reducing taxes. The FFr 15bn cut in the deficit promised by Mr Balladur yesterday is in line with the Government's pledge on taking power to bring the deficit down to FFr 100bn within three years.

The budget debate will be the main economic test for the Government in the National Assembly this autumn with both its opponents and some its supporters sceptical that it can achieve both a lower deficit and lower taxation without drawing on privatisation revenues more than it concedes.

The Government has said that the growth of expenditure next year will be held below the increase in inflation. The major exception to this rule is defence where spending is planned to rise by 7 per cent.

World Weather

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Prime cut lifts Wall St

Continued from Page 1

erably faster than its target range of 3.5 to 5.5 per cent a year.

Counter-arguments in favour of lower interest rates have, however, been reinforced by the appreciation of the D-Mark against the dollar, which affects West German exporters, and against other currencies in the European Monetary System.

The West German currency shed ½ pfg against the dollar yesterday to close at DM 2.0495, while remaining unchanged against sterling at DM 3.04.

It continued to move above its central rate within the EMS against the French franc, strengthening slightly yesterday to close in London at FFr 3.2764. Against the weakest currency in the exchange rate mechanism, the Danish krone, the D-Mark moved close to its highest permissible limit of DKr 3.7876 and closed at DKr 3.7826.

Analysts remained uncertain yesterday whether the Bundesbank would cut its rates as early as its scheduled meeting on Thursday. Some speculated that instead of reducing the high-profile discount rate the Bundesbank might choose to adjust some of its other interest rates.

The Lombard rate, the largely disused rate at which it will lend short-term money to the commercial banks, has remained at 5.5 per cent for some time, while the repurchase rate, now the main instrument used for providing liquidity in the West German money markets, stands at 4.35 per cent.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday August 27 1986

Bayer profits edge ahead on lower D-Mark turnover

BY DAVID BROWN IN FRANKFURT

BAYER, one of West Germany's "big three" chemicals group, managed a modest rise in profits in the first half despite a 12.2 per cent drop in D-Mark-denominated worldwide turnover.

Bayer reports its pre-tax earnings edged ahead by 0.9 per cent to DM 1.74bn ($853m) in the first half despite the decline in sales to DM 21.59bn.

The group expects further favourable development in business for the rest of the year. Despite expected weaker turnover stemming from the translation of a low dollar into D-Marks, which has hit US and Latin American operations especially, profits will be at least unchanged from last year's DM 3.145bn.

Second-quarter profits of DM 930m compare with DM 905m during the same quarter last year, and DM 810m in the first quarter of this year.

The other two major chemicals groups, BASF and Hoechst, last week reported falls in both sales and profits. The industry as a whole has forecast that 1986 business will stabilise at last year's high levels.

Bayer said it was able to improve profits slightly because lower raw materials costs partly compensated for increasing price pressure on the market and because last year's first half was held back by extraordinary costs.

BASF, in contrast, was hit this year by heavy write-downs in the value of its oil and gas reserves, which contributed to the 19 per cent drop in profits to DM 1.39bn for the first half. Hoechst's profit fell by one point to DM 1.63bn.

Bayer said it is running at high levels of capacity utilisation and it plans investments of DM 2.2bn this year, especially in agricultural chemicals, pharmaceuticals and its Agfa-Gevaert subsidiary.

Parent company profits climbed 8 per cent to DM 880m on a 3.5 per cent lower turnover of DM 9.08bn. The group has disposed of several loss-making subsidiaries, cutting costs and improving profitability in its domestic operations.

Texas clears way for reform of banking law

BY WILLIAM HALL IN NEW YORK

THE STATE of Texas, which is reeling from the impact of the collapse in oil prices, yesterday cleared the way for the passage of an interstate banking measure which will allow healthy out-of-state banks to acquire local financial institutions which have run into trouble.

The Texas House of Representatives overwhelmingly approved a proposal which will allow out-of-state banks to acquire Texas banks and savings institutions. The 116 to 24 vote follows approval by the Texas Senate last week and the measure is expected to be signed into law by Governor Mark White, possibly by the end of this week.

The speedy action by the Texas legislature reflects what some officials are calling a "banking crisis" in Texas, where problems with energy, real estate and agricultural loans have led to mounting losses at some local banks. Bank regulators have been pressing for the legislation which they say will help them arrange takeovers for local banks before they suffer a run on their deposits by nervous depositors.

Texas is the third biggest banking market in the US and until recently one of the fastest growing. The state has long been viewed enviously by many big money centre banks which wanted to participate in its rapid growth and signs that the state was on the verge of allowing out-of-state banks to enter have sent Texas bank shares soaring over the last few days.

Gould to dispose of defence divisions

By Paul Taylor in New York

GOULD, the US electronics group, yesterday put its large defence systems business up for sale. The planned disposal would reduce Gould's size by almost a third.

The Illinois-based group has been undergoing a major restructuring, and wants to dispose of its defence business, which employs 5,000 people and reported pre-tax earnings of $37.2m on sales last year of $400.3m, in order to concentrate more on its commercial businesses.

Gould reported pre-tax earnings, excluding a special charge, of $79.2m on sales of $1.42bn last year. After the planned divestiture its remaining commercial electronics businesses will have annual sales of about $1bn.

Mr James McDonald, Gould's president and chief executive, said: "Our decision to divest the defence systems business is based on the company's strategy to concentrate its financial, people and marketing resources on those areas of commercial electronics that offer the greatest growth opportunities based on their common marketing and technological strengths.

"The planned sale of the defence systems business, in combination with the previously announced sale of Gould's medical divisions, real estate operations, remaining battery businesses and various other assets, are estimated to raise between $550m and $625m."

Mr McDonald added: "The cash generated from the sale of these operations, which are expected to be completed by early 1987, will significantly strengthen Gould's balance sheet and provide ample support for the development and growth of the company's commercial electronics businesses."

Gould, whose share price jumped $1.25 to $21.25 on the news, said it has begun discussions with a number of unidentified companies

THE ROUTE FROM SNOWMOBILES TO AIR TRAVEL HAS BEEN A BUMPY ONE FOR A SMALL CANADIAN BUSINESS

Bombardier takes off for new challenge

BY ROBERT GIBBENS IN MONTREAL

BOMBARDIER, the little Canadian company founded in 1944 by the inventor of the snowmobile, has finally made it into aerospace through last week's acquisition for C$120m (US$86m) of majority control of state-owned Canadair.

Mr J. Armand Bombardier, who put tracks on the drive wheels and skis in front, spotted the potential of the snowmobile in Canada and across the American snowbelt.

So successful was the snowmobile developed by the company in the 1960s that Chrysler, Massey-Ferguson (now Varity) and Ford were soon knocking at the door.

Bombardier was making more than 200,000 snowmobiles a year and had a North American dealer network of more than 2,000. Profits were plentiful and a dozen other companies in the US, Canada and Japan were taking advantage of the boom.

Mr Bombardier's heirs and one of his sons-in-law, Laurent Beaudoin, decided against selling out their private company and hired Wood Gundy, the Canadian investment bank, to take it public. It was one of the most successful public issues in Canadian history.

Then the 1973 energy crisis came like a bolt from the blue. The North American sports snowmobile market was decimated by rising petrol prices and taxes. Soon Bombardier's stock was sliding and many of its competitors dropped out. But Bombardier rationalised, improved its machine, and looked for diversification.

It already owned the Rotax engine plant in Austria and a tram-builder. Transit equipment seemed logical and Bombardier bought Montreal Locomotive Works, a heavy diesel equipment and locobuilder. Next it started building French-designed rubber-tyred subway cars for Montreal and Mexico City. It pushed its plastic products and looked at scores of proposals.

The road was not easy, and at times Bombardier's management looked thin in relation to the challenges it took on. Then the 1979 energy crisis struck and Bombardier went through another round of agonising rationalisation.

Now the company is trimmer. It has moved out of loco building, shed its plastics operations and is concentrating on a profitable level of snowmobile output of around 30,000 units a year. Its major victory was a C$1bn transit order from New York for stainless steel subway cars based on a design by Kawasaki of Japan.

It has also bought technology from West Germany and the US to build light and medium army trucks and jeep-style vehicles powered by Volkswagen engines.

It lost a bid for Urban Transportation Development, a transit system manufacturer in Ontario, without much regret, and then went for Canadair, the Montreal airframe and defence products group. It is paying C$120m cash and royalties on the Canadair Challenger business jet and C$11.5m for land.

Bombardier, which earned C$16.1m on sales of C$656m last year, gets a troubled aerospace company with 1985 earnings of C$27.6m on sales of C$618m.

Canadair's survival through the 1982–83 recession was made possible by the federal Government taking over the C$1bn Challenger's development costs.

Mr Beaudoin, Bombardier's chairman, believes he can broaden Canadair's operating base by expanding its subcontracting work for Boeing and others, getting more defence work for Canada, the US and Nato, converting its very successful waterbomber to turbine power, and winning a C$1.7bn 20-year systems maintenance contract for Canada's new F-18 fighters.

Whether his new Canadair chief Mr Donald Lowe, a former General Motors executive, can turn around the Challenger marketing is hard to predict. It competes against the Dassault Falcon and the US Gulfstream.

Bombardier says it can win 25 per cent of a world market for about 100 such machines yearly, against between 10 and 15 per cent now. But Canadair is making 15 a year now and still has not found customers for the last three being completed in 1986.

Mr Beaudoin is frank. The Challenger must make it in the next couple of years. Otherwise, even with government help, the line will have to close. But by then, Canadair hopes it will be more broadly based.

● Canadian Shipbuilding and Engineering has become the latest victim of the crisis in the country's shipbuilding industry. The 105-year-old company, which has built 214 ships including some of the largest Great Lakes freighters, launched its last vessel, a coastguard ice-breaker, a few weeks ago and will close on September 12.

CSE's assets have been acquired by ULS International, formerly Upper Lakes Shipping. Its Collingwood, Ontario yard will be sold and the equipment transferred to ULS's yard at St Catherines.

Fermenta takeover bid still on as institutions show interest

BY KEVIN DONE IN STOCKHOLM AND ALAN FRIEDMAN IN MILAN

MONTEDISON, the Italian chemicals group, and Mr Refaat El-Sayed, chief executive of Fermenta, the Swedish chemicals and biotechnology group, said yesterday that negotiations for a takeover of Fermenta by Montedison were "still in progress" despite Monday's rejection of the deal by trade unions at Fermenta.

If the agreement in principle with Montedison collapses, however, it appears that a number of Swedish financial institutions could be ready to step in and take over at least part of Mr El-Sayed's majority holding in Fermenta.

The institutions include a number of regional trade union-controlled funds as well as some leading investment companies.

Mr Lennart Laaftman, managing Director of Mellanfonden, one of the five funds, said yesterday: "There is no obstacle if five or six of the parties really want this to happen."

Mr Olof Wesstrom, a director of Industrievaerden, a Swedish investment company closely associated with Svenska Handelsbanken, the leading bank said: "We are waiting for the outcome of negotiations between Mr El-Sayed and Montedison. If they break down we could be interested in participating in the ownership of Fermenta at an agreeable price."

Fermenta is to hold an extraordinary shareholders' meeting in Stockholm today to seek permission to transform all the shares in the company into free shares as a preparatory step for the sale of the company to a foreign buyer. In a second stage, permission would also have to be sought from the Government.

The meeting was called in early July after Mr El-Sayed reached an agreement in principle to sell his holding to Montedison in a deal worth at least SKR 3bn ($436m), but since then negotiations between the two sides have become increasingly confused.

Doubts have grown about Mr El-Sayed's willingness to sell and the deal has run into opposition from the local trade unions in the company to whom Mr El-Sayed has given a sort of informal right of veto.

The Egyptian-born entrepreneur held talks with Montedison management in Milan late on Monday night, but yesterday the two sides could say only that negotiations continued "with the ambition of finding a suitable industrial structure taking into account the views expressed by Fermenta's trade unions."

CGE to bid for Lynch

BY OUR FINANCIAL STAFF

COMPAGNIE Générale D'Electricité, the French electronics and telecommunications group, said it plans to propose acquiring majority control of Lynch Communication Systems, the Nevada based telephone equipment maker in which CGE's Alcatel unit has a 46.7 per cent stake.

In a filing with the Securities and Exchange Commission in Washington, CGE said it had not yet set the terms of its offer but had notified Lynch of its intention to prepare a proposal for a "business combination" between Lynch and Celwave Systems, an indirect majority-owned unit of CGE.

CGE has hired Dillon Read as its financial adviser, and says it expects the proposal to give current Lynch shareholders a chance to continue holding shares in the combined entity.

Lynch is among the smaller US telephone equipment producers, with sales of $42.3m in the first half of 1986, down from $62.2m a year earlier, and net income down 72 per cent at $1.35m.

Wessanen surplus rises 12%

BY OUR AMSTERDAM CORRESPONDENT

WESSANEN, the Dutch agricultural processor, reported its first-half net profits rose 12 per cent to Fl 28.2m ($12.3m) from Fl 25.2m last year. The previous year's figure was boosted by an extraordinary item of Fl 2.2m.

Wessanen's foodstuffs companies, both in the US and in Europe, made a significant contribution to operating earnings and the company said its other activities also developed well. Operating profits were up at Fl 42.3m from Fl 36.3m

Johannesburg Consolidated Investment Company, Limited

(Incorporated in the Republic of South Africa. Registration No. 01/00429/06)

Unaudited consolidated financial statements for the year ended 30 June 1986

Consolidated Income Statement	1986 Rm's	1985 Rm's
Profit before taxation	258,2	176,1
Taxation	48,7	19,6
Profit after taxation	209,5	156,5
Outside shareholders' portion of (loss) profit	(1,6)	0,2
Profit before preference dividends	211,1	156,3
Derived from:		
Income from investments	134,7	107,0
Attributable earnings of operating subsidiaries	33,0	22,7
Other net revenue	43,4	26,6
Preference dividends	6,3	7,2
Profit attributable to ordinary shareholders	204,8	149,1
Ordinary dividends	88,5	64,5
Interim of 325c (1985–200c)	24,0	14,7
Final of 875c (1985–675c)	64,5	49,8
Retained profit for the year	116,3	84,6
Transfer to non-distributable reserves	3,2	4,8
	113,1	79,8
Retained profit at beginning of year	442,1	362,3
Retained profit at end of year	555,2	442,1
Earnings per share	2 778c	2 025c
Dividends per share	1 200c	875c
Number of ordinary shares in issue	7373300	7373300

Consolidated Balance Sheet	1986 Rm's	1985 Rm's
Capital employed:		
Ordinary shareholders' interest	642,2	525,9
Preference share capital and premium	56,0	64,0
Outside shareholders' interest	2,8	5,9
Deferred taxation	65,0	42,3
Long-term liabilities	81,1	86,3
	847,1	724,4
Employment of capital:		
Investments – at cost less provisions (market value or directors' valuation – R3 164,0m (1985 – R1 777,1m))	308,3	280,5
Loans	123,2	96,8
Marketable properties and mining prospects	58,1	40,0
Fixed assets	171,4	180,0
Mining assets	126,5	100,7
Net current assets	59,6	26,4
Current assets	698,8	588,0
Current liabilities	639,2	561,6
	847,1	724,4
Net asset value per share (based on market value or directors' valuation of investments and properties at 30 June)	R484	R288

Notes:

1. Profit attributable to ordinary shareholders of R204,8m was 37,4 per cent higher than that for the previous year.
2. A final dividend of 875c has been declared to make a total for the year of 1 200c per share, which is 37,1 per cent higher than that for the previous year.
3. The Group's interest in profits retained by non-subsidiary companies in which it has substantial investments amounted to R51,2m (1985 – R38,6m) or 694c per share (1985 – 524c). These retained earnings are net of any dividends received from the above companies during the past year.
4. In calculating the net asset value per share the excess of directors' valuation of subsidiary companies over the net book value has been included.
5. In terms of the provisions of the share option scheme, options to subscribe for or purchase a total of 176500 ordinary shares were granted to nominated executives on 25 October 1985, 3 December 1985 and 13 February 1986 at prices ruling on The Johannesburg Stock Exchange on 24 October 1985, 29 November 1985 and 12 February 1986 respectively.
6. Particulars of the Group's contingent liabilities and expenditure on fixed assets and mining assets are as follows:

	1986 Rm's	1985 Rm's
Contingent liabilities	11,7	12,3
Capital expenditure for the year	52,8	66,9
Capital expenditure commitments	17,9	21,3

The Group had a commitment at 30 June 1986 to subscribe for or procure the subscription of 39932470 shares in H. J. Joel Gold Mining Company Limited for the sum of R239,6m. This commitment was met in full on 25 July 1986.

On behalf of the board G. H. Waddell, P. F. Retief *Directors*

Dividend No. 121

A final dividend (No. 121) of 875 cents per share in the currency of the Republic of South Africa has been declared payable to holders of ordinary shares in respect of the year ended 30 June 1986.

Last date for registration	26 September 1986
Registers close (dates inclusive) from	27 September 1986
to	3 October 1986
Currency conversion date (for payments from London)	6 October 1986
Date of payment	20 October 1986

The dividend is declared subject to the customary conditions which may be inspected at or obtained from the Company's Johannesburg office, the office of the London Secretaries (Barnato Brothers Limited of 99 Bishopsgate, London EC2M 3XE) or the London Bearer Office of Hill Samuel and Company Limited, 45 Beech Street, London EC2P 2LX. Holders of share warrants to bearer should present coupon No. 121 to the London Bearer Office.

South African Non-Resident Shareholders' Tax at the rate of 12,97 per cent and United Kingdom Income Tax will be deducted from the dividend where applicable.

By order of the board M. J. Meyer, *Secretary*

Head Office and Registered Office:
Consolidated Building, cor. Fox and Harrison Streets, Johannesburg 2001 (P.O. Box 590, Johannesburg 2000)

26 August 1986

Abbey sets Eurosterling benchmark

BY ALEXANDER NICOLL

THE EUROSTERLING bond market responded cautiously yesterday to Abbey National Building Society's launch of a £500m five-year floating-rate Eurobond, the largest Eurosterling issue so far.

With a coupon set just 8 basis points above three-month London interbank offered rates (Libor) and a price of 100.05, the issue was aggressively priced. However, it was deliberately structured as a benchmark issue for the whole sector as well as for building society borrowers and for five-year maturities.

Many syndicate managers believed that the size could mean a fairly long placement despite the tight pricing.

Samuel Montagu fairly swiftly assembled a management group which included major market-makers in the secondary market for sterling FRNs. It argued that investors were prepared to give up a little in yield in return for the deep liquidity which such a large issue would offer.

The Abbey issue was quoted all day at 99.90/93, with Montagu said to be protecting the issue effectively. The price gave a discount less than the 20 basis point total fees.

In the dollar sector, a similarly uncertain atmosphere prevailed, with the muted reaction to last week's US discount rate cut echoed in the response to US bank prime rate reductions yesterday.

GTE Finance Corporation braved a straight $150m issue, led by Union Bank of Switzerland (Securities). The five-year bullet deal was priced at 101 with a coupon of 7½ to give a spread over the when-issued five-year US Treasury bond of 85 basis points at launch, net of fees. The deal was seen as tightly priced and was quoted outside its fees.

Following the recent run of Eurobonds by Denmark, the Mortgage Bank of Denmark issued a $150m bond with the Kingdom's guarantee. Though tightly priced, it has an unusual structure which is expected to appeal to investors, particularly in Japan, who like a high current yield.

The issue, led by LTCB International, is for seven years and pays a high coupon of 9¾ per cent, but has a high price of 115½. This gave a spread over Treasuries at launch of 51 basis points.

City Federal Savings Bank issued the latest in a series of issues by US savings institutions collateralised by US Federal securities and thus having a triple A rating from Standard & Poor's. The $100m seven-year deal, led by Shearson Lehman Brothers International, has a margin of 5 basis points above three-month Libor.

Late yesterday, Nomura International launched a large issue for General Motors Acceptance Corporation in the Euroyen market. The Y60bn five-year bond has a 5¼ per cent coupon and price of 101½.

In the D-Mark sector, the Canadian province of Manitoba made a DM 300m 10-year issue with a 5¾ per cent coupon and 99½ pricing, led by Westdeutsche Landesbank, which was well received. Less enthusiastically received was a DM 150m deal for BHW Finance, a subsidiary of West Germany's largest home savings bank, led by Dresdner Bank. The 6½ per cent 10-year terms, with a price of 99½, were seen as too aggressive for a borrower not well known internationally.

A package of bonds with warrants to buy both debt and equity from Intercontinental Rubber, a subsidiary of Conti Gummi, met a strong response. The coupon on the DM 150m 10-year deal was fixed by Deutsche Bank at 5½ per cent, down from the indicated 6 per cent.

Copenhagen Telephone, 54 per cent owned by the Danish Government, made a FFr 500m 15-year issue with a coupon adjustable after five years. Until then, the rate is 8 per cent. The price was set by Credit Commercial de France at 100½.

In the Swiss market, Seagram made a SFr 200m 99-year issue with an indicated coupon of 6 per cent and a price of par, led by Swiss Bank Corporation. NZI Finance Overseas made a SFr 150m 10-year issue with a 4 per cent coupon indicated by Union Bank of Switzerland. Seibu Credit is making a SFr 100m private placement via Credit Suisse.

In the Canadian dollar sector, already overloaded by new issues, Die Erste Oesterreichische Spar-Casse-Bank made a C$75m five-year issue with 9¾ per cent coupon and price of 101½, led by CIBC.

Midterm slowdown in AGA results

By Sara Webb in Stockholm

AGA, the Swedish industrial gas concern, has reported a 12 per cent drop in 1986 first-half profits after financial items, from SKr 504m to SKr 443m ($64.2m).

Income after non-recurring items rose to SKr 663m, compared with SKr 511m for the first half of 1985, due to a share deal with its subsidiary Tresor earlier in the year. Consolidated sales were SKr 4.58bn against SKr 4.51bn for the first half of 1985.

AGA expects profits to pick up in the second half, boosted by the sale of hydro-electric power assets worth about SKr 1.5bn. It forecasts full-year profits (after financial items) and sales to be on a level with last year's figures of SKr 911m and SKr 9.76bn respectively.

Gas operations showed a 10.6 per cent decrease in profits after financial items, while sales for the six months slipped to SKr 2.34bn from SKr 2.37bn in 1985.

The company, which has major subsidiaries in North and South America, blames the slowdown on the lower dollar, further devaluations in Latin America, and the recession in Mexico, as well as an increase in investments in installations, product development and marketing.

Frigoscandia, the group's refrigeration operation, showed a 40 per cent decrease in profits after financial items due chiefly to seasonal fluctuations in freezer sales and variations in the delivery of freezer shipments. The company expects a sharp improvement in profits in the second half.

Profits after financial items for the steel operations fell 33 per cent, largely because of the lower dollar, a weaker North American market and increasing protectionism.

Power operations reported a good first half with profits after financial items of SKr 41m. Comparable figures are not available.

Ten bidders contend for Rumasa properties

BY DAVID WHITE IN MADRID AND CHRIS CRAGG IN LONDON

SEVEN Spanish bidders and three foreign groups are contending for the property division of Rumasa, the former conglomerate whose holdings were expropriated in 1983.

The division consists of four property companies with some 200 buildings in Spain and the twin-towered Torres de Jerez office in central Madrid.

The property companies are the biggest of the former Rumasa interests still in the hands of the Madrid Government. The rest have been sold off piecemeal. An advisory committee is scheduled to produce a recommendation on the reprivatisation next Tuesday. A decision taken at cabinet level using only technical criteria is expected next month.

The foreign bidders are Heron International, the UK property and financial services company which has offered Pta 10bn ($75m) in cash, Regie Michel Turin of Switzerland and a consortium of West German and Spanish property developers.

Some of the seven Spanish contenders took part in an aborted bid in April.

The cabinet had then agreed to sell the properties to an ad hoc group of Spanish businessmen, led by a prominent Madrid lawyer, Mr Jose Maria Armero. The agreed price was Pta 8.5bn, in spite of a higher offer from a Philippines businessman, Mr Enrique Zobel. However, the agreement was rescinded before the final signature was due in July because of a change in the composition of the consortium.

Two members of this consortium, Mr Emiliano Revilla, the head of a sausage-making business, and Mr Alejandro Montana, owner of a transport firm, are now making separate bids. Other rival bidders include the Barcelona-based savings bank La Caixa, and another associate of Mr Zobel, the former Finance Minister Mr Juan Miguel Villar Mir.

Mr José Maria Ruiz-Mateos, the founder and former chairman of Rumasa – currently facing charges for alleged irregularities in his business – originally said that he might bid for the tower complex, which he first bought in 1976. He is not listed among the bidders.

Heron International, which has a completed property portfolio worth £288m ($428m), already has some office buildings in Madrid and Barcelona. It sees the purchase as "a unique opportunity to acquire office rental space in Madrid, much in demand after Spain's recent entry into the EEC."

Record year for Moevenpick

BY JOHN WICKS IN ZURICH

MOEVENPICK, the Swiss-owned resturant and hotel concern, booked record results for the year-end March with group cashflow up 19.2 per cent to SFr 42.8m and consolidated net profits higher by 21.2 per cent at SFr 9.7m ($5.9m).

Moevenpick Holding, the parent company, lifted net earnings from SFr 5.3m to SFr 7.3m.

The board plans to increase dividends from SFr 85 to SFr 90 per bearer share and from SFr 17 to SFr 18 per registered shares and to make a payment of SFr 9 each on the new category of participation certificates.

Consolidated turnover rose by 6.4 per cent to SFr 659.8m. According to Mr Ueli Prager, company founder and chairman, this growth rate would have been about double bur for the weakening of such currencies as the Canadian dollar, the Saudi riyal and the Egyptian pound.

Mr Prager said the company should show good results again for 1986. In the first seven months Swiss operations had booked "double-digit" percentage growth in cashflow, while German earnings were also well above last year's levels. These two countries currently account for some 90 per cent of turnover.

● Intershop Holding, the Zurich-based propery company specialising in shopping-centre development, proposes an unchanged payment of SFr 20 per share on increased capital of SFr 130m for the year ended March 31.

Net profits rose by 28.6 per cent to SFr 9.2m for the year. Dr Jacques Mueller, the company's president, predicted there would be a further improvement in earnings for 1986/87 despite the weaker dollar.

Five-year loan facility for Granada

By Peter Montagnon, Euromarkets Correspondent

GRANADA, the UK entertainments group, is arranging a £75m, five-year loan facility in the international capital markets which is designed to replace much of its short-term bank borrowings at lower cost.

The deal, which is to be led by S. G. Warburg, will carry an annual facility fee of 7½ basis points. Granada will be able to raise funds through the issue of bankers acceptances or by calling on participants to offer short-term cash advances.

A top rate of 15 basis points has been set on the acceptance commission and margin for cash advances, but Granada will pay an additional utilisation fee of five basis points if more than half the facility is taken up by underwriters.

Separately, Development Finance Corporation of New Zealand is expanding the Euro-commercial paper programme it has operated informally through County NatWest

The programme size is expected to be set at $300m

Write-offs keep Comalco in red

BY OUR FINANCIAL STAFF

COMALCO, the Australian integrated aluminium producer, yesterday announced that it is taking a A$98.8m (US$59.8m) extraordinary charge against earnings in the current year because of prospective foreign exchange losses on repayment of the company's outstanding debts.

Adding a further A$7.4m extraordinary charge arising from higher company tax rates, total write-offs of A$106.2m swept Comalco's net performance for the first six months of 1986 down to a A$71.1m loss, against a A$16.7m loss in the same period of last year.

Without the weight of the write-offs, however, the company would have reported a A$35.1m profit for the period on sales which rose to A$923.2m from A$893.5m. An interim dividend of 1 cent is being restored; there was no interim payout in the first half of last year.

Improved operating results during the first half were due to an improvement in the international aluminium market, Comalco said. Producers' inventories of primary metal declined while prices in the period averaged about 52.5 US cents a pound, compared to 45 1 cents in the first half of 1985

Other factors lifting Comalco's performance have included the shedding of marginal businesses

Comalco, which is 67 per cent owned by CRA, the 52 per cent owned RTZ Australian offshoot, said it had taken the write-off on future debt repayment costs because it had concluded that the Australian dollar would not recover to levels higher than last year's during the period when its largely US dollar-denominated debts will fall due.

MIM Holdings return to the black

BY OUR FINANCIAL STAFF

MIM HOLDINGS, the Queensland base metals and coal mining group, in which Asarco of the US has a 37.3 per cent stake, has reported a A$48.2m (US$ 29.2m) net profit for the year ended June 22, against a A$18.2m loss in the previous year. Earnings per share rose to 7.9 cents from a loss of 3.6 cents, while a total dividend for the year of 4 cents is being paid, against 3 cents.

Sir Bruce Watson, the chairman, said the company "was solidly into profit" and was looking for opportunities to expand into downstream activities and internationally. Several steps had been taken during the past year that involve joint activities with Metallgesellschaft, the West German metals and engineering group.

MIM's sales in the year rose to A$1.32bn from A$1.2bn, while pre-tax profits of A$75.5m compared with a A$50.5m loss a year earlier.

Canon expects first loss in 11 years

CANON INC, the Japanese copier and optical products group, said the yen's sharp appreciation would more than halve its pre-tax profits in 1986, resulting in its first loss in 11 years, Kyodo reports from Tokyo.

Parent company net profits for the half-year to June fell by 8.9 per cent to Y9.9bn ($64.5m) on sales up 0.3 per cent to Y277.2bn. The decline was due to the effects of the stronger yen on export earnings, the company said.

Operating income and pre-tax profits declined by 76.9 per cent and 39 per cent respectively to Y6.2bn and Y13.9bn in the half year.

The company's high dependence on exports—some 75 per cent of its annual sales—has made it vulnerable to wild swings in exchange values. Canon plans to step up overseas production in the US, Europe and Southeast Asia in a drive to overcome the strong yen and rising trade barriers for exports. Japanese photocopier manufacturers face anti-dumping duties of up to 15.8 per cent in the European Community from today after investigations by the Brussels Commission.

Eurobond desk for Oppenheimer

OPPENHEIMER and Company will open a Eurobond desk in London early next month to specialise in currency bonds, foreign securities and fixed-income securities, reports Reuter.

The company, a subsidiary of *Oppenheimer Holdings* of the US, has hired five specialists already working in the US. The desk will begin operations on September 3 and will berun by Alexis Dogilewski, formerly a managing director at Gintel and Co. It is not known when trading will begin.

Downturn at Wella

By Our Financial Staff

WELLA, the West German hair care company, suffered a 9.8 per cent fall in group pre-tax profits for the first half of 1986 from DM 73.2m a year ago to DM 66m ($32m), despite a rise in turnover from DM 834.8m to DM 849m.

The company, which went public in 1983, blamed the fall in group profits and the relatively small rise in turnover on the strength of the D-Mark against most foreign currencies. Pre-tax profits for the parent company rose from DM 17.3m to DM 19.5m.

Wella said it expected group profits for all 1986 to be lower than in 1985, but group turnover, and domestic profits and turnover, should continue to rise.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on August 26

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

[illegible]

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The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; IBJ International; [illegible]

INTERNATIONAL COMPANIES and FINANCE

Amic's first-half earnings soar as exports improve

BY JIM JONES IN JOHANNESBURG

ANGLO AMERICAN Industrial Corporation (Amic), the industrial arm of Anglo American, the South African mining house, increased earnings by almost half in the six months to June largely because of improved rand-denominated export earnings.

The group's first-half turnover rose to R1.47bn ($377m) from R1.11bn and the consolidated interim pre-tax profit increased to R174.3m from R99.3m. For 1985 as a whole, turnover was R2.56bn and the pre-tax profit R268.2m.

Mr Graham Boustred, the chairman, says that the Mondi pulp and paper manufacturer and Highveld, the steel and ferro-alloys maker, significantly increased their contributions to consolidated earnings. Amic owns 51.8 per cent of Highveld and 62.7 per cent of Mondi.

Highveld's exports of vanadium were helped by last year's closure of competing plants in Finland and the US while Mondi's recently completed expansions are now contributing to revenues.

The first half's earnings increased to 193 cents a share from 128 cents, but the interim dividend is unchanged at 55 cents a share as a means of restoring dividend cover and because the directors believe the group's borrowings are high. For the whole of 1985, earnings totalled 346.6 cents a share and a total dividend of 180 cents was declared.

● Botswana RST, which is controlled by Anglo America Corporation and Amax, the US mining house, has continued to suffer attributable losses, writes Kenneth Marston, Mining Editor.

The company, which controls the loss-making Selebi-Phikwe copper and nickel mine in Botswana, says that unless there is a substantial improvemnet in metal prices there will probably have to be yet another restructuring of the BCL subsidiary's debt.

For the first half of this year Botswana RST reports an operating profit of 15.7 Pula (£5.1m or $7.6m) compared with P23.2m a year ago. After deducing heavy interest charges (deferred for payment) there is a net loss of P44.4m which brings the accumulated deficit to P1.22bn compared with P892m a year ago.

Listing for SA building society

BY OUR JOHANNESBURG CORRESPONDENT

UNITED BUILDING SOCIETY (UBS), South Africa's largest, is to become the first to obtain a stock exchange listing with the issue in early December of 210m ordinary shares of R2 each in UBS Holdings to about 150,000 qualifying investors.

To qualify for the issue an investor must have held at least 1,000 existing UBS paid-up shares since November 2 1985 and must continue to hold them until the end of next month. Investors will have the choice of paying cash for their UBS Holdings shares or of converting 20 per cent of their present UBS shares into equity.

The UBS is likely to be followed by other societies. Recent changes to the Building Societies Act allow societies with an equity capital structure to compete in markets for financial services which are now restricted to banks governed by the Banks Act.

The UBS intends to compete for other forms of consumer finance business apart from home loans. It will also be free to accept deposits of varying maturities, rather than being restricted to deposits with a maturity of at least a year.

UBS Holdings will subscribe for the entire capital of UBS itself. The company's estimate of prospects for the coming six months will be disclosed late this week

Hongkong Bank 7.9% ahead at mid-term

By Our Financial Staff

HONGKONG AND Shanghai Banking Corporation, the leading financial institution in the colony, has reported a 7.9 per cent increase in attributable net profit for the first six months of 1986 to HK$1.19bn (US$153m), against HK$1.1bn in the first half of last year.

Sir Michael Sandberg, the chairman, predicted that profits would show "steady" growth for 1986 as a whole and said that a final dividend of not less than 27 cents a share would be paid, compared to 26 cents in 1985. An interim dividend of 13 cents (12.5 cents) has been declared.

The first half result was achieved against a background of a more stable economy in Hong Kong, with a recovery in the stock market and in property prices. Overall loan demand in the colony remained sluggish, however, despite stronger consumer loan business.

Weak commodity and energy prices had made for difficult conditions in many of the bank's traditionally strong areas of operation outside Hong Kong, the chairman said. However, there had been strong results from the 51 per cent owned Marine Midland Banks in the US, despite disappointing economic growth there.

The bank's total assets climbed 12.3 per cent to HK$613bn from HK$545.6bn six months earlier while shareholders' funds increased to HK$23.7bn from HK$21.8bn. Net profits per share were 32 cents against an adjusted 29 cents in the first half of 1985.

● Jardine Matheson, the Hong Kong-based trading group, has boosted its majority stake in Marshalls Motors, a large Australian car dealer, to 100 per cent, at the same time selling its shareholding in the dealer's parent company, an Australian trucking group.

Jardine has accepted an A$10.15m (US$6.15m) offer from Woodger Corporation, for its 50.46 per cent in Fleetways (Holdings), the trucking group. The deal was conditional upon the sale to Jardine Matheson of the 49.54 per cent it did not already own of Marshalls Motors.

VW Brasil and Paccar trade deal on schedule

By Kenneth Gooding, Motor Industry Correspondent,

THE TRUCK distribution agreement between Volkswagen do Brasil, a subsidiary of the West German motor group and Paccar, the US truck-maker, is on schedule to start in November, says Mr Charles Pigott, Paccar's president.

VW is to supply medium-sized trucks from Brazil bearing the nameplates of Paccar's two subsidiaries, Peterbilt and Kenworth, for distribution through the US group's dealer network. The distribution deal is for 10 years.

Mr Pigott says about 100 of the vehicles in the Class 6 (19,501 lbs to 26,000 lbs gross weight) and Class 7 (26,001 lbs to 33,000 lbs) will be delivered at the end of this year and about 1,000 in 1987.

He estimates that by 1990 the annual sales rate of the Brazilian trucks — which to start with will have a list price of about $25,000 each —should be between 2,000 and 3,000.

Mr Pigott said VW made the first approaches about the association, but it suits Paccar, which sells only trucks in Class 8 (above 33,000 lbs gross weight), because some of its dealers already have taken on Japanese franchises for medium weight trucks. Paccar previously had concluded it would not be profitable to develop and make medium trucks of its own.

Gencor unit lifts payout

GENBEL, the South African Gencor's predominantly mining investment company, reports net attributable income of R90.1m (£23.1m or $34.7m), for the year ended June, compared with R59.2m for 1984-85, writes Kenneth Marston, our Mining Editor.

The company is raising its total dividend for the year from 170 cents to 195 cents a share with a final payment of 120 cents.

Income from shareholdings during the past year rose to R89.4m from R70.5m, while there was a small tax recoupment compared with a tax charge of R3.76m last time, and a surplus on realisation of investments of R13.3m

N. AMERICAN QUARTERLIES

AUTOMATIC DATA PROCESSING
Data processing services

	1985-86 $	1984-85 $
Fourth quarter		
Revenue	318.6m	266.7m
Net profits	30.9m	26.0m
Net per share	0.42	0.36
Year		
Revenue	1.2bn	1.03bn
Net profits	106.0m	87.6m
Net per share	1.45	1.22

LOWE'S
Building materials

	1986 $	1985 $
Second quarter		
Revenue	657.8m	595.8m
Net profits	21.3m	20.9m
Net per share	0.54	0.58
Six months		
Revenue	1.19bn	1.05bn
Net profits	32.6m	32.8m
Net per share	0.85	0.91

PRIME MOTOR INNS
Motels

	1985-86 $	1984-85 $
Fourth quarter		
Revenue	92.2m	82.8m
Net profits	12.0m	7.7m
Net per share	0.40	0.29
Year		
Revenue	332.0m	304.5m
Net profits	37.5m	25.0m
Net per share	1.35	0.96

SYSCO
Food distribution

	1985-86 $	1984-85 $
Fourth quarter		
Revenue	841.8m	691.1m
Net profits	18.1m	13.8m
Net per share	0.37	0.32
Year		
Revenue	3.2bn	2.6bn
Net profits	58.3m	50.3m
Net per share	1.34	1.17

WICKES
Diversified retailing, industrial products

	1986* $	1985 $
Second quarter		
Revenue	1.1bn	498.7m
Net profits	26.9m	12.7m
Net per share	0.15	0.08
Six months		
Revenue	2.1bn	878.8m
Net profits	47.5m	7.5m
Net per share	0.22	0.03

* Results reflect acquisitions

JAPANESE RESULTS

GREEN CROSS
Pharmaceuticals

Six months	Jun '86 Y	Jun '85 Y
Revenues (bn)	39.3	37.4
Net profits (bn)	1.37	1.29
Net per share	6.84	6.50
Dividend	3.75	3.75

PARENT COMPANY

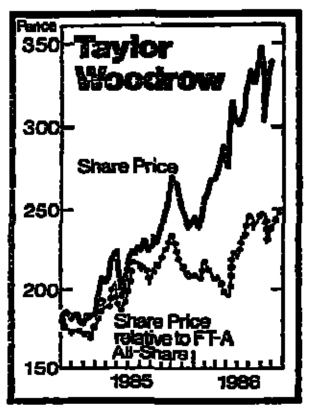
TANABE SEIYAKU
Pharmaceuticals

Year to	Apr '86 Y	Apr '85 Y
Revenues (bn)	184.52	186.29
Net profits (bn)	4.37	4.1
Net per share	21.21	20.06

CONSOLIDATED

UK COMPANY NEWS

Taylor Woodrow at £20m despite overseas downturn



Taylor Woodrow, the international engineering, construction and property group which derives more than half of its earnings overseas, yesterday revealed that its profits for the first six months of 1986 had risen from £19.53m to £20.05m pre-tax, wmuch in line with City estimates.

Mr Frank Gibb, the chairman and chief executive, said the results had been achieved despite a downturn in the volume of construction business available overseas and by the recent fall in oil prices which had affected the group's offshore activities.

They also took in lower profits from property sales.

He added, however, that the US construction company had made good progress in securing new business during the first half and that the directors considered the overall result not unsatisfactory having made further substantial investment in property and land, the benefit of which will become apparent in the long term.

Income from property and housebuilding profits grew world-wide and while the UK construction market remained very competitive, the group continued to secure its "fair share" of work.

Group turnover for the opening six months totalled £377m (£389m). Trading and investment income improved to £18.71m (£18.16m) but the share of associates' profits was little changed at £1.34m (£1.37m).

After tax of £7.14m (£7.13m) and minorities of £800,000 (£1.43m) available profits emerged at £12.1m, against a previous £10.97m.

Earnings amounted to 8.4p (9.3p) per 25p share. The interim dividend is being lifted from an adjusted 2p to 2.25p net.

The results of overseas companies were converted to emerged at £12.11m, against a change and accordingly comparative figures have been restated.

Figures for the previous half year were also adjusted to take profits from the sale of properties above the line. Profits from this source amounted to £1.7m this time, compared with £3.11m last year.

At the annual meeting in June Mr Gibb told shareholders that the weather in the UK was having an effect on the current year's profits.

He added, however, that the group was making a determined effort to beat 1985.

See Lex

Ex-Ratners chief gets £550,000 handshake

By Charles Batchelor

A RECORD in corporate "golden handshakes" has been set by Mr Anthony Edgar who is stepping down after less than four months as chairman of Ratners (Jewellers) and receiving payment of £550,000.

Mr Edgar, aged 47, is receiving the payment as compensation for the premature ending of his service contract with Ratners, which still had four years to run. His annual salary was £140,000.

Mr Edgar became chairman of Ratners under an agreement reached with the company when it acquired H. Samuel last May in a £150m agreed bid. He has been chairman of H. Samuel and a member of the founding family of that company.

Mr Gerald Ratner, the 36-year-old chief executive of Ratners who is now also to take on the role of chairman, said: "It's a hell of a sum — like winning the pools — but it is what his and our lawyers agreed was the right figure.

"It has been agreed under the terms of his contract which was there when we bought H. Samuel.

"You never really get to konw whether something will work out until you are working with someone. His is an amicable departure."

The stated reason for Mr Edgar's departure was that he wanted to devote the whole of his time to his private business interests which include farming and hunting.

It is understod, however, that the more aggressive style of Mr Ratner's management clashed with Mr Edgar's approach to the business. Mr Edgar could not be contacted for comment yesterday.

Mr Ratner said he intended his holding of the twin positions of chairman and chief executive to be permanent

Mr John Gillum of merchant bankers N. M. Rothschild, a non-executive director, will become non-executive vice chairman of Ratners while Mr Andrew Coppel, 36, a director of Morgan Grenfell Finance, will become finance director.

The record for large golden handshakes was held briefly by Mr Peter Laister, former head of Thorn EMI, who was earlier this month paid £440,000. Sir Ronald Halstead, ousted as chairman of Beecham Group, was paid £407,000.

BET acquires control of Brengreen

BET, the diversified industrial services group, has won control of one of its two current bid targets in the building services and cleaning sector.

Yesterday, BET said it had received acceptances amounting to *27.9* per cent of Brengreen, the contract cleaning business which has recommended BET's £32m offer.

Together with the 29.8 per cent stake owned by BET or its associates, the group controls 57.7 per cent of Brengreen's share capital.

Last week, BET *raised its* offer marginally for Brengreen after Hawley Group, the industrial services company, agreed to sell its 27 per cent stake. It also raised its hostile offer for the HAT Group, the painting, scaffolding and plant hire business, by almost 20 per cent to £114.6m, following Hawley's agreement to sell its 8.6 per cent holding.

Williams Hlds profits boosted by acquisitions and share sales

Williams Holdings, the rapidly-expanding Derby-based industrial conglomerate, which has announced it may make an agreed bid for London & Midland Industrials, reported pre-tax profits almost trebled from £2.9m to £8.51m in the first half of 1986.

The result was achieved on turnover up by 57 per cent at £75.07m (£47.85m). It included exceptional credits of £2.97m (£210,000) being the profit on the sales of its stakes in McKechnie Brothers, for which it made an unsuccessful bid, and Thomas Robinson & Son.

Earnings per share came out at 17.9p (12.1p) basic and 15.4p (10p) fully diluted.

An interim dividend of 5p is being paid and subject to unforeseen circumstances the directors expect to be able to make a final payment of 9p. Last year, on pre-tax profits of £6.35m, there was a single final dividend of 8p.

The results include a full six months from Rawlplug, five months from Spencer Clark Metal Industries and two months from Fairey Engineering. Duport, which was acquired after the end of the period, has not been included.

The directors said that because of the significant integration which had taken place it was impossible to give a meaningful analysis of the effect of the acquisitions on the group's results.

They added that each of the purchases made during the past year, including some of the Duport businesses, was established within the Williams divisional structure. During the next two months the remaining rationalisations would be carried out, leaving management for other duties.

The outlook was encouraging, the directors said, with the benefits of corrective action on some recent acquisitions being felt in the second half of the present year and more fully in 1987.

Last week the company announced that it was having merger discussions with London and Midland. It might make an agreed bid worth more than £53m for the industrial holding company, which makes prefabricated concrete buildings under the Compton and Banbury names and Larch-Lap timber products.

Trading profit was £5.95m (£2.77m) and the pre-tax figure was struck after net interest payable of £414,000 (£88,000). The tax charge was £1.64m (£635,000) with preference dividends taking £11,000 (£93,000). Last time there were extraordinary credits of £43,000.

Attributable profits came out at £6.86m, compared with £2.21 last time.

● comment

No one will be surprised if Williams Holdings makes an agreed bid for LMI today—bringing to around £150m the amount it has spent on acquisitions this year so far. Gone are the days when accountants-turned-entrepreneurs Rudd, himself an ex-LMI man, and Brian McGowan have to spend a great dealh of their time setting lossmakers to rights. Williams' paper has been rated high enough of late to persuade four out of five companies approached in the last year to agree to join the group—McKechnie was the one to get away—and the emphasis is now on improving returns from sound businesses. The shares at 650p reflect the City's faith in born again metal bashers and the determination of Messrs Rudd and McGowan to avoid earnings dilution—even if 8½m shares, equivalent to a quarter of the current equity, have to be issued to LMI's shareholders. Forecasts of £20m pre-tax—there is nothing from Duport (over £5m in its last year) and little from Fairey (estimated to be running at £4m a year) in the first half—are a bit of a stab in the dark and have the shares trading on a prospective multiple of 13½ given a 20 per cent tax charge.

B&C in £28m leasing expansion

By Charles Batchelor

British & Commonwealth Shipping (B&C), the transport and financial services group, is paying nearly £28m for control of Woodchester Investments, an Irish leasing company, in a deal which takes B&C into leasing in a big way for the first time.

This forms part of an active programme on the part of B&C to expand its financial services activities under Mr John Gunn, the former chairman of Exco International, the money broking group. B&C has bought stakes in property, commodities trading and stockbroking companies in recent months.

B&C's interest in Woodchester was triggered by Woodchester's plans to acquire Hamilton Leasing (Ireland), another leasing group and a subsidiary of 3i (Investors in Industry). As part of a complex three-tier transaction announced yesterday Woodchester announced an agreement for it to pay I£20.4m (£18.43m) to 3i for Hamilton.

B&C approached Woodchester while it was in talks with Hamilton and offered to provide financial backing, in the shape of access to £50m of unsecured borrowing at advantageous rates, in return for control of Woodchester.

B&C will take up all the 6.37m new Woodchester shares to be issued to 3i to pay for Hamilton at I320p a share. The British group will also subscribe for 1.7m new Woodchester shares and buy a further 1.55m shares from Company Holdings (which owns 33.7 per cent of Woodchester), at at I320p each.

These deals will give B&C a total stake of 9.62m Woodchester shares or 50.1 per cent. This holding will trigger an automatic takeover bid for Woodchester under the Takeover Code though B&C wants to retain Woodchester's stock market listing and would sell off any shares which gave it a stake of more than 75 per cent.

B&C plans to expand the leasing activities of Woodchester and Hamilton from their present base in Ireland into the UK. Woodchester made a pre-tax profit of I£1.58m on revenues of I£7.5m in the year ended March 1986.

Hamilton made a pre-tax profit of I£1.2m on revenues of I£18.9m over the same period.

Woodchester, the shares of which are listed in London and Dublin was suspended at 253p (1275p) on July 9 after a sharp rise in the share price.

Boots persuades institutions to back £400m bid for Flint

BY LIONEL BARBER

Boots, the UK retail chemist and drug manufacturer, appears to have persuaded City institutions to back its ambitious £400m acquisition of Flint Laboratories, the US pharmaceutical manufacturer, put up for sale by its parent, Baxter Travenol Laboratories.

Despite speculation that institutions were planning a revolt against the proposed deal, tomorrow's extraordinary general meeting of shareholders called to approve the purchase is likely to go in Boots' favour. A 50 per cent majority is required.

But several institutions remain sceptical about the Flint deal, particularly about the £400m price tag. One senior fund manager said: "This is a gamble and it is their (Boots' management) last gamble."

For several months, Boots has beent ipped by stock market analysts as a bid target. Earlier this year Boots shares rose to a high of 286p, but the shares fell back sharply to 213p on the announcement of the US acquisition at the beginning of this month.

Fund managers said that rumours of an institutional rebellion had been stoked by speculators hoping to flush out a bidder for Boots.

One pension fund manager *said yesterday that he was prepared* to give Boots management the benefit of the doubt. "To cast a vote against the Flint deal would be to question the whole Boots management strategy."

A major insurance company holding Boots shares said: "They paid a high price, maybe too high a price. But that is a matter for the management. We do not see it as our job to interfere unless there are compelling circumstances."

Another insurance company shareholder said it was abstaining from voting tomorrow. "Perhaps that is a cop-out. But we did not feel very strongly either way."

Rowe & Pitman, Boots' brokers which helped finance the deal via a placing of 184m new Boots shares—a 25 per cent increase in the group's share capital—said that initial antagonism to the deal had largely dispersed. "We expect very little opposition."

Major criticisms have centred on the high price for a company with $12m net tangible assets, no research capability and a net gain of only 60 new salesmen.

Boots argues that Flint has a top-class drug to treat thyroid hormone deficiency and it represents a one-off chance to establish a presence in the US, the world's largest drugs market. Boots shares closed unchanged at 212p.

Taking a constructive view

Philip Coggan on the reshaping of troubled J Jarvis

WHAT DO you do when you are an institutional investor in a small company and things start to go wrong?

Sometimes, the answer is cut your losses and run. But that was not the case at the family builders J. Jarvis & Sons where some discreet institutional behind-the-scenes lobbying caused a change of both direction and fortune.

Last week it announced 1985-1986 figures showing a return to both profits and the dividend list.

Before the First World War, J. Jarvis was one of the biggest construction companies in the UK. Over the decades, it sank down the league table but remained profitable and it was not until the 1980s that the company's future really looked threatened.

Jarvis had attempted to survive the recession by investing in property developments which could use its spare building capacity.

The problem with that strategy was that the developments proved difficult to sell, and too much of Jarvis' capital became tied up in property.

From pre-tax profits of £563,000 *on turnover of £23.6m* in 1982, the figures fell to £632,000 on £20.4m in 1983, £409,000 on £15.2m in 1984 and then a loss of £706,000 on £18.3m in 1985.

It was after that loss that rumblings of institutional discontent came to the surface. Three institutions, the Prudential, M & G and the Imperial Group pension fund, expressed their disquiet at private meetings with the management.

At the AGM shortly afterwards, other investors spoke out and soon the critics accounted for a clear majority of shareholders.

In the view of the institutions, turning the company around required the arrival of some outside businessmen on the board. So, in November 1985, two non-executive directors were added: Mr David Beety, a senior partner at solicitors Knapp Fishers and a director of the Caledonian group; and Mr Jack Roullier, former finance director of the John Laing homes division.

Mr Roullier's first task was to produce a management report. He found that Jarvis had operated with a highly centralised organisation and that as a consequence, middle managers knew a lot about construction but gained little experience of finance. The top management thus failed to receive the right kind of information for financial control.

He also concluded that although the move into property development had been unsuccessful, Jarvis retained a good reputation as a construction company.

As Mr Roullier's recommendations were coming in, Jarvis underwent a second board upheaval in March 1986. The last Jarvis family member, Douglas, retired as president along with the chairman and managing director since 1981, Mr R. W. Denney.

Mr Beety became non-executive chairman and a manager from the Manchester area, Mr Bob Wheeler was appointed as managing director. The board was further strengthened by the addition as non-executive director of Mr J. Hugh Jones, chairman of the London Shop & Property Trust.

The new board set about rationalising the property portfolio. That involved writing down the value of certain UK developments to the tune of £192,000, write-offs and write-downs of investments in the US and Egypt worth £442,000 and a revaluation of the remaining developments. The net effect was to increase shareholders' funds from £2.7m to £3m.

In the year to March 1986, the company reported pre-tax profits of £55,000 after treating the UK write-downs as exceptionals but before treating the overseas write-downs as extraordinaries.

Mr Roullier admits that the problems cannot be solved overnight. It takes time to choose the right moment to sell the property developments and reduce the group's £3m borrowing; it will also take time for the construction managers to get used to their increased financial responsibilities.

But will Jarvis get its chance? Yesterday, Mr Harvey Bard, a London property investor, increased the stake of his investor group from 20 to 27 per cent. The shares came from M & G, one of the original investing institutions.

Peel Holdings, the Lancashire retail warehouse developer, also has a 4.5 per cent interest, although neither it nor Bard is admitting to takeover intentions.

The shares have risen on the back of increased interest from 270p at the start of this year to 425p, pushing *the market* capitalisation up from £2.7m to £4.5m. That alone might justify the institutions' original intervention.

But the question remains. If a predator emerges will the institutions back the board they installed?

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
American Trust	...int	1.15	Oct 3	1.15	—	3.1
Aspen	...............int	‡1.3	Oct 1	1	—	2.8
William Bedford	...int	‡1.5	Oct 14	1.5	—	4.5
BSR Intl	............int	¶0.6	Dec 5	0.55	—	2.4
Cambridge Elec	...int	2.2	Nov 4	2.2	—	7.45
CVD	....	‡†2.7	Oct 31	2.5	2.7	2.5
L. J. Dewhirst	......int	0.26	Nov 21	0.23*	—	0.92*
Edinburgh Fund	...int	‡2.5	—	2	—	6
Emess Lighting	...int	†2.3	Nov 28	2.2	—	5.5
First Scot Amer	...int	4.5	Oct 1	4	—	10
Bandsworth Tst	......	‡0.25	—	0.25	0.25	0.25
Taylor Woodrow	...int	2.25	Oct 1	2*	—	8.63*
Williams Hldgs	...int	5	—	nil	—	8

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish pence throughout.

UK COMPANY NEWS

Templeton Galbraith lifts profits 47% in first half

Templeton, Galbraith & Hansberger, which provides investment management and related administrative services to US and Canadian mutual funds and other accounts, has achieved a 47 per cent jump in pre-tax profits in the first half of 1986.

The company, which is based in the Bahamas, obtained a listing in February. It yesterday reported pre-tax profits of US$23.18m (£15.58m) against $15.77m from turnover 66 per cent ahead at $68.62m ($41.24m).

An interim dividend of 3 cents will be paid from earnings up from 7.7 to 11 cents per share after tax of $5.57m ($3.52m).

Mr John M. Templeton, the chairman, said there were two important corporate developments, the first was the September launch of the Tempelton Income Fund. The objective of this was to produce high, current income through a flexible policy of diversified investment in securities.

Also in progress was the organisation of a Hong Kong office, scheduled to begin operations early in 1987. This office would serve as a research base, and be headed by Dr Mark Mobius, an expert on Asian affairs. His appointment exemplifies Templeton's continuing commitments to a global investment policy, the chairman said.

Assets under management at end-June reached $9.15bn, a 31 per cent improvement since the year end. Of this about 35 per cent was new money and the rest capital appreciation due to the strong market. Mutual funds improved from $4.58bn at end-1985 to $6bn, while other accounts rose from $2.39bn to $3.14bn.

Operating profits for the period climbed to $22.8m ($14.92m), while other operating income added $960,000 ($1.18m). Interest took a higher $573,000 ($323,000), and last time there were exceptional debits of $10,000.

Net profit for the half year rose from $12.24m to $17.62m. Shareholders' funds at June 30 stood at $17.79m ($5m) at end December.

See Lex

New products help BSR to £3.6m in first half

A SUBSTANTIAL jump at the operating level, backed up by a £1m reduction in interest charges, gave BSR International a pre-tax profit of £3.6m in the *first half of 1986*, compared with a loss of £3m.

The directors of this electronic component and equipment manufacturer and distributor said that new product development had contributed to the better result.

They remained confident that the increased demand for the group's expanding product range would continue through the rest of the year and into 1987.

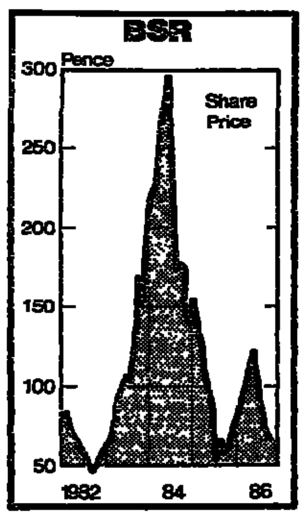
Every effort was made to mitigate the impact of adverse exchange rates but directors said that the weakening of the US dollar during the half year materially affected the results in sterling terms.

The group moved its headquarters and tax residence from the UK to Hong Kong over three years ago. A few months ago it floated about 60 per cent of its UK accessory and engineering business—Tenby Industries—on the stock market, raising about £12m which went to reduce its high borrowings.

Tenby's figures for the half year and the comparable periods are included in the BSR group accounts.

BSR raised its turnover by 10 per cent, from £135.5m to £149.1m, and its operating profit from £400,000 to £6m. Interest charges were £2.4m (£3.4m) and the directors said further savings would come in the second half following an improved cash position and generally lower interest rates.

An analysis of turnover and operating profit showed electronics and computer peripherals £56.3m (£53.2m) and £2.7m (loss £3.3m) respectively, sound and vision £54.5m (£49m) and £1.7m (£3m), communications £8.8m (£900,000) and nil (loss (£600,000), industrial £15.7m (£17.1m) and £1.5m (£1.3m), housewares £13.8m (£15.3m) and £100,000 (nil).



Group financing had also been reorganised to minimise currency translation exposures and to benefit from advantageous interest rates wherever possible.

Continuing investments in high technology product development was reflected through increased expenditure on research and development for the period of £3.9m (£3.6m).

Earnings were 2.02p (loss 2.15p) per share and the gross interim dividend is being raised from 0.55p to 0.6p per share.

● comment

BSR has pleased the market with its interim profit figure but left the analysts worried over debt levels. When Tenby was floated off in June the expectation was that the £11m net cash raised would be applied to reducing the £35m December net debt total. However, a build up of orders has seen *working capital demand rise* with surprising rapidity — especially at the Taiwan audio subsidiaries—and the underlying debt position has therefore worsened. Available tax losses would make a UK acquisition attractive and help improve earnings quality in the eyes of the City, but just where will the money come from? It will have to be cash as the shares do not at present enjoy the kind of rating that makes them suitable for use in a takeover. The courses of action available are: the selling of the remaining 40 per cent stake in Tenby, accelerating the spin off of Swan (provisionally programmed for a separate listing in late 1987) or a rights issue. Of these the latter seems the least likely. Full-year forecasts have been trimmed to £14m pre-tax which puts the shares, up 2p at 70p, on a prospective p/e of 10. The downside may be limited now that the Far East has been trimmed, but the weak dollar is also holding the ceiling down.

Emess confirms forecast after 26% midway rise

IN CONFIRMING its profit forecast for the year 1986, the **Emess Lighting** group reports that pre-tax profits for the first half rose 26 per cent, from an adjusted £1.12m to £1.41m.

Earnings were 20 per cent higher at 6p per share, and the net interim dividend is lifted to 2.3p. This compared with 2.2p actual last time, or 1.9p adjusting for a rights issue, the company said.

Mr Michael Meyer, the chairman, confirmed that profits for the year were forecast at not less than £4.3m, compared with £3.38m for 1985, and earnings were expected to be 18p (14.2p). The forecasts were made earlier this year at the time of the abortive bid for Rotaflex.

Mr Meyer considered the half year figures to be most satisfactory, extending the group's record of consistently producing growth. The outlook for the remainder of the year continued to be good with progress in all sectors.

Organic growth, he said, would continue to be supplemented by suitable acquisitions where they could enhance existing companies.

Turnover for the half year expanded 39 per cent from £12.52m to £17.48m, after the 1985 figures had been adjusted for the merger with Marlin Electric. After tax £506,000 (£448,000) the net profit came to £901,000 (£672,000).

Domestic lighting continued its excellent growth record with new production and warehouse facilities coming on stream, while the pottery bases gained substantial new export customers. Commercial lighting made good progress.

Distribution progressed strongly with the wholesalers lifting both turnover and profits.

● comment

Emess' share price has taken a battering since the failure of the bid for Rotaflex, and these figures are a worthwhile reminder that the underlying consumer lighting business is sound. During the bid, Emess made a £4.3m profits forecast for the full year and these figures put it on target to beat that with £4.5m feasible. That puts the shares at 288p, on a prospective p/e of 16. Improving that rating depends on the answers to two questions. The first is whether Marlin can successfully update its commercial lighting range. The second is the choice of the next acquisition. At least one public company is on Mr Michael Meyer's shopping list with both electrical wholesalers and electrical accessories possible target areas. Whatever the choice the bid must succeed. Another failure might dent Meyer's go-ahead reputation irreparably.

MY Holdings share issue

The directors of **MY Holdings** said yesterday that as part of the proposals for the acquisitions of **Sharp Interpack** and **Cathedral Compounds Company** 15.19m new shares in MY were being issued.

Of these, 10.27m were being offered to MY shareholders at 37p per share in an open offer made by Hill Samuel.

Valid acceptances of the open offer were received in respect of 6.16m shares, some 60 per cent of those offered.

Tenby makes £1.5m halfway

In the half year ended June 28 1986 **Tenby Industries** lifted its pre-tax profit from £1.38m to £1.54m, on turnover not quite matching last year's at £16.36m (£16.61m).

The company was floated in June at 112p per share through BSR selling 60 per cent of its holding. It trades as an electrical accessories maker and engineer.

The directors believe there would be continuing growth and progress in the second half, and expected to meet the forecast 2.7p dividend.

The sales drop was experienced at BKB Electric Motors and Fraser and Glass, and masked good performances at Tenby Electrical and Bulpitt Engineering. Trading profit rose 19 per cent to £1.83m reflecting growth at Tenby and Bulpitt, and generally improving manufacturing efficiency.

The profit was struck after exceptional charges of £239,000 (£82,000) mainly relating to redundancies at BKB. There was struck after exceptional charges of £239,000 (£82,000) mainly relating to redundancies at BKB. There was also an extraordinary credit of £1m, being a debt forgiven by BSR.

At the half year the group had cash in hand and there should be a positive cash flow at the year-end.

CVD advances 31% and plans move up from USM

CVD Incorporated, US maker of advanced materials for the defence and medical industries, has reported a 31 per cent increase in pre-tax profits for the year to June 1 1986 from $1.6m to $2.09m (£1.41m).

And it has announced that the company, the shares of which are at present traded on the Unlisted Securities Markets, is soon to apply for a listing on the London market.

The shares rose 10p yesterday to close at 175p.

Gross revenue increased from $4.69m to $6.08m and after tax of $928,000 ($719,000) earnings per 1 cent common stock were 9 cents (7 cents). The final dividend is being raised from 2.5 cents to 2.7 cents. ...

Mr Robert Donadio, chairman, said sales of the company's two main products, CVD zinc selenide and CVD zinc sulphide, increased by 42 per cent. European sales increased substantially helped by the beginning of operations in the UK.

He added that the advances had been achieved despite the start-up costs of relocating early in the year and the time-lag associated with major expansion of capacity. Also in the fourth quarter there had been an explosion in the research facilities in which minor injuries were sustained by personnel and there was a loss of revenue

Insurance was expected to cover the losses but research was not expected to return to normal until the second quarter of the present year.

UK COMPANY NEWS

Electronics recession continues to hit CEI

THE CONTINUING recession in the electronics industry resulted in pre-tax profits down by £1.25m to £4.03m at Cambridge Electronic Industries in the first half of 1986.

Mr Rupert Jones, the chairman, said that although the results were disappointing, when viewed against the longer term progress of the group they were much as expected in the short term, and the outlook was more encouraging.

He said there had been a moderate improvement in the underlying trend of orders in the UK, and providing that could be maintained, a return to more satisfactory profitability could be anticipated for the second half.

The directors of the company, which makes and sells electronic components and systems, are maintaining the interim dividend at 2.2p. Earnings per 25p share worked through lower at 6.2p (9.1p). For 1985 a total payment of 7.45p was made when profits fell to £10.63m (£12.01m).

Although turnover was at much the same level as during the second half of 1985, it fell by £9.3m to £63.4m in the first half of 1986. This fall was evident in each of the group's sectors, the chairman stated.

The electronic and electrical component companies contributed £2.5m to trading profits against £2.79m on turnover down from £37.8m to £33.1m. The expected recovery in demand for printed circuit boards in the UK, however, had yet to appear, the chairman said, and that had particularly affected the capital-intensive operation of Bepi Circuits.

Flexible Technology, which made a first-time contribution to profits, had strengthened the group's all-round capability in interconnection, he added.

Elec-Trol, the US offshoot which fell into losses in 1985, suffered a 35 per cent decline in turnover as an apparent revival in US demand proved to be only temporary.

Defence and electronic systems contributed a much lower £656,000 (£1.41m) to profits on turnover down from £19.5m to £16.9m.

Specialist operations companies achieved virtually the same profit as last time, with £1.27m against £1.26, although turnover was £2m lower at £13.4m. That reflected a generally sound performance throughout the sector, Mr Jones said, with particular progress in C.I. (Polymers).

The pre-tax result was struck after net interest payable of £395,000 against £186,000. After tax of £1.54m (£1.77m), and minorities of £97,000 (£113,000), attributable profits fell from £3.39m to £2.39m.

● comment

Profits may be down but it's not all gloom and doom for Cambridge Electronic Industries. The components division profits held up well, despite a considerable drop in turnover and a continuing loss from the US subsidiary Elec-trol. With the specialist operations division also showing increased margins on reduced turnover, that seems to indicate that the Cambridge management has got a firm grip on the business. The main problem in the first half was defence, where delays in orders led to a £0.8m profit drop. But indications are that the second half will be better than last year. Whatever the qualities of the management, they will be hard pressed just to stand still until the electronics sector shows an upturn. That looks a medium rather than a short term prospect. In the meantime, full year pre-tax profits of £11m put the shares at 200p, down 12p, on a prospective p/e of 11. Investors wanting a Cambridge punt can afford to wait.

American Trust's assets rise

American Trust raised its net net asset value to 174.5p per 25p share at July 31 1986, an improvement of 20.8p on the stated figure a year earlier.

For the six months to end-July net revenue increased by £1m to £3.02m after tax of £1.76m, against £1.32m.

Parent company earnings improved from 1.51p to 1.54p and those of the group, taking in Edinburgh Fund Managers, the 53.8T per cent-owned USM-quoted subsidiary, from 1.86p to 2.49p.

The interim dividend is a same-again 1.15p net.

Edinburgh Fund Managers raised its net revenue from £1.42m to £2.14m over the half year ended July 31 1986 after tax of £1.18m (£842,000).

The interim dividend is being lifted from 2p to 2.5p from earnings of 14.25p (9.43p).

Funds under management increased from £742m at January 31 1986 to £905m at trust trading surged from £674,000 to £2.09m.

In the UK Edinburgh Fund Managers has increased its holding in Comprehensive Financial Services from 16.13 per cent to 17.9 per cent.

The fund is also looking to international opportunities for expansion.

In the US several of American Trust's larger holdings, notably the regional banks and tobacco companies, performed well during the first six months.

The trust continued to emphasise the consumer and financial sectors and said yesterday that recent weakness in other areas of the US economy justified this position.

COMPANY NEWS IN BRIEF

CONSULTANTS (Computer & Financial), USM-quoted computer services company, has agreed to acquire Business House Systems, a subsidiary of Hill Samuel Group. CCF is also in talks to acquire Business House Systems Australia in Sydney, jointly-owned by Hill Samuel and Macquarie Bank (formerly Hill Samuel Australia).

RANDSWORTH TRUST, USM-quoted plant hire contractor, formerly Jayplant, announced a fall in pre-tax profits from £50,187 to £21,623 in the year to end-May 1986, on turnover of £894,731 (£1.34m). The dividend is held at 0.25p, to be paid from lower earnings of 0.91p (1.4p) per share after tax of £35,782 (£492). Depot closure costs of £25,034 were treated as an extraordinary item.

GOLD & BASE Metal Mines, investment holding company, reported higher pre-tax profits for the first half of 1986 of £7,969 (£7,602) after dividends and interest received of £33,843 (£25,467) and surplus on disposals of investments down to £1,305 (£20,813). After tax of £2,564 (£1,047) earnings per 12.5p share were 0.11p (0.44p).

SIR JOSEPH Causton & Sons, a wholly-owned subsidiary of Norton Opax, has exercised its option to acquire the remaining 25 per cent of Headway Publications that it does not already own. Consideration of £1.42m has been satisfied by the issue of 1.07m new Norton Opax 10p shares.

GREENWICH CABLE Communications has entered into a noption to acquire 50 per cent of DRL Communication, a Bristol-based company which provides industrial training services. Greenwhich will provide working capital to DRL, and on the exercise of the option, no later than March 31 1987, will subscribe for 50 per cent of the equity for £60,000. Mr A P Stirling and Mr J N McLean have joined the DRL board.

QUEENS MOAT HOUSES has purchased 72 per cent of the Bedford (Ford End) Property Company, which owns the freehold of the Bedford Moat House, for a total £511,267 in cash and shares.

FIRST SCOTTISH American Trust recorded earnings per share of 6.89p in the half year ended July 31, 1986, against 5.67p, and is raising interim dividend to 4.5p (4p) net. Net asset value was 412.6p at the end of the period against 324.7p a year earlier. Gross income for period came to £4.38m (£2.9m) and interest payable £1m (£8,800) reflecting first effects of debenture issue earlier in year. Those funds were now invested, mainly in UK equities. Higher income also stemmed from funds switched to UK from overseas last year, so revenue available increased by 21 per cent. Revenue in second half will not be at such high level.

UK COMPANY NEWS

Ryan Intl advances by 19% to £2.24m midway

ADJUSTING FOR the acquisition of the A. J. Williams companies, Ryan International group has seen its first half 1986 pre-tax profit advance by 19 per cent from £1.89m to £2.24m.

Mr Michael Ward Thomas, chairman, said the acquisition had proved a significant step forward in the development of the group, establishing it as a sizeable coal trader. He was confident that continued good progress would be made in the second half in both coal recovery and coal trading.

The directors had been evaluating several opportunities for expansion in areas complementary to existing operations, he said.

Turnover in the six months moved up to £28.24m (£27.87m) from which the operating profit was £2.8m (£2.25m). Interest payable net came to £561,000 (£419,000).

Earnings per share worked through at 1.79p (1.67p) basic and 1.53p (1.51p) fully diluted. Last time there was also extraordinary credits of £2.12m.

The earnings were calculated on 84.68m shares in issue, against 56.78m, the increase representing adjusment for the shares issued for the acquisition of the Wilams companies and the issue of 25m ordinary on conversion of preference shares. Fully diluted earnings were worked out on 105.53m (68.46m) shares.

On the merger basis, the group made sales of £59.2m and pre-tax profit of £4.25m for the year 1985. Earnings were 4.46p and 3.1p diluted.

The chairman explained that coal recovery got off to a poor start, hampered by the weather during the first quarter. However, the sites were now operating normally and production targets were expected to be met. Prices for UK production should continue at present levels, he added.

The operation in Belgium was similarly affected by the weather and, additionally, falling prices. But production efficiencies partially offset those factors. The fall in exchange rate between the franc and US dollar reduced the expected level of profit from Ryan Europe.

The first site to be operated under the joint venture with Consolidated Goldfields would become operational at the end of this month. Other sites were currently being planned.

Dewhirst 16% ahead and further growth seen

DESPITE THE effects of a cold and wet spring I. J. Dewhirst Holdings raised its sales and profits for the opening six months of the 1986-87 year by 20 per cent and 16 per cent respectively.

Forward orders are well ahead of last year but pressure on margins is likely to continue.

Nonetheless, the directors said yesterday that they were confident that the full year would see a continuation of growth.

The half year to July 18 saw sales improve from £25.04m to ££30.05m and profits advance by £370,000 to £2.67m at the pre-tax level—the group is a clothing manufacturer and its principal subsidiary trades almost exclusively with Marks and Spencer.

The results were very much in line with the forecast given by the directors at June's annual meeting.

Earnings pushed ahead from 2.07p to 2.32p and the interim dividend is being stepped up from an adjusted 0.23p to 0.26p net per 10p share.

Net interest income improved to £170,000 (£165,000) but tax took £126,000 more at £909,000. Net profits worked through at £1.76m, compared with a previous £1.52m.

The directors said that the stated policy of investment in advanced machinery and design was succeeding. They added that the group was committed to expansion, both organically and through acquisition.

BCA buys rest of US subsidiary

By Charles Batchelor

British Car Auctions, the company headed by Mr David Wickins, has acquired full control of Sandgate Corporation, its US subsidiary, in a move which will save it £1.25m in costs annually.

BCA originally intended selling Sandgate, which runs 12 auction lots, to Cox Enterprises, a large US car auction group, for about £50m but pulled out of this deal in July.

Mr David Wickins, BCA chairman, said the Sandgate purchase had been completed two weeks ago. As a private company Sandgate would make considerable savings on items such as lawyers' fees and reporting requirements.

Mr Wickins dismissed as "bunkum" a report that he was interested in selling BCA itself to Cox.

A number of US investors in Sandgate had reinvested their profits on the Sandgate deal in BCA, prompting speculation a US bid might be on the way, he added. Between 1.5m and 1.7m shares had been bought by US investors recently.

If a bid were to be made for BCA at an attractive price Mr Wickens said he would not stand in its way.

Wm. Bedford looks for second half improvement

WITH THE antiques market worldwide still having a difficult time, and the loss of a substantial export sale, the William Bedford group of antique dealers and restorers, experienced a fall in profit from £571,000 to £375,000 in the half-year ended June 30 1986. The interim dividend is held at 1.5p.

It was difficult to forecast for the second half, the directors stated, but there were a number of factors which gave grounds for optimism.

Currencies of the company's major European customers had risen significantly against the pound, there was scope for some recovery in the American market during the latter half of the year, and the considerable improvements at main showrooms and the advantages of additional units in Camden Passage, North London, should increase both the number of customers and overall sales, the directors said.

The company would also be exhibiting at a further antiques fair in London this autumn.

Despite all the difficulties sales were almost maintained at £1.57m (£1.66m) in the half. The loss of an export sale arose through one of the specialist antique shipping companies going into receivership following the failure of its parent company.

Expenditure on exhibitions and advertising rose substantially

BOARD MEETINGS

TODAY

Interims: AMEC, Blue Circle Industries, Frost, Murray International Trust, Palma, Parambe, Pearl Assurance, President Entertainments, Slough Estates, Weir.

Finals: Kennedy Smale, Murray Income Trust, Press Tools.

FUTURE DATES

Interims—	
Cadbury Schweppes	Sept 4
Cement-Roadstone	Sept 3
Hall Engineering	Sept 16
Laing (John)	Sept 11
Macdonald Martin Distls.	Aug 29
Neill (James)	Sept 3
Ropner	Sept 2
Suter	Sept 15
Systems Reliability	Sept 10
United Biscuits	Sept 17
Finals—	
Caledonian Offshore	Sept 3
Istron	Sept 10
Media Technology Intnl.	Sept 11
Pacific Sales Organisation	Sept 9
SelecTV	Aug 29
Sime Darby	Sept 2
Smith Whitworth	Aug 29
Wood (S. W.)	Sept 12

Aspen doubles profit to £0.9m

Aspen Communications more than doubled pre-tax profits in the first half of 1986, from £440,000 to £931,000. Included in the result, were figures from ACT (Preprint), acquired in February. The rest of the group achieved a 58.6 per cent improvement.

The directors of this USM-quoted specialist print, video, media and cellular telephone group are raising the interim dividend by 0.3p to 1.3p, as declared in the offer document for Spafax Television Holdings.

The first closing date for acceptances from Spafax shareholders is today, and Mr Henry Meakin, the chairman, said the proposed acquisition would create within Aspen the largest corporate video programme production and media group in the UK. It would provide excellent potential for significant profits growth, he added.

Overall the group was currently experiencing buoyant trading conditions and the outlook was good for continued progress the chairman said, but it was too early to forecast full year results.

Turnover for the six months doubled, from £3.88m to £7.43m. Tax took a higher £334,000 (£154,000) and minorities £33,000 (£17,000).

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MANAGEMENT

Checkers supermarkets

Coping at the eye of a storm

Bernard Simon explains how South Africa's largest food retailing chain is facing up to the country's political and economic turmoil

CLIVE WEIL makes no bones about the problems of steering South Africa's biggest supermarket group through a period of unprecedented economic and political turmoil. "It's like juggling at the moment," says the burly and genial managing director of the 181-store Checkers chain. "There's no way you can plan for all the problems we've had. You can come to the office and the most mundane and innocent event can turn on you in a second."

To prove his point, Weil cites the Marilyn Monroe and Chubby Checker look-alike competitions which Checkers organised earlier this year to celebrate its 30th anniversary. The group was forced to replace the two events with a rock-and-roll contest after a leading coloured (mixed race) politician in South Africa's tricameral parliament complained of racial discrimination.

In a more sinister vein, a local newspaper reporter phoned Weil earlier this month to tell him that the paper had received an anonymous note titled "Free Azania" (the black nationalist name for a liberated South Africa). The note warned that a well-known brand of biltong (dried meat) "has been poisoned in the Checkers shops."

The list of unfamiliar problems confronting Weil and other South African managers has greatly lengthened since unrest erupted in black townships almost two years ago. Consumer boycotts, wildcat strikes, two states of emergency, detentions of trade union leaders, bomb explosions, and rising Right-wing militancy among whites are among the hot potatoes which have unexpectedly landed in the business community's lap.

To make matters worse, business has to cope with stormy economic conditions. The South African economy is currently going through its worst recession since the 1920s. Inflation, at 17 per cent, is at record levels. Interest rates have never been as volatile.

Checkers has found itself in the eye of both the political and economic storms. As Weil puts it: "In a service-oriented business, we feel people's wrath. People are frustrated by inflation, by the tough economic climate and by the lack of (political) vision in this country. There has never been so much up-tightness."

As a well-known and highly visible company, Checkers has inevitably been drawn into the political maelstrom swirling through South Africa. A bomb exploded outside a Checkers store in a Pretoria suburb last June killing three people.

The company receives countless bomb threats. With 17,500 workers, it has been the target of dozens of wildcat strikes,

Clive Weil: not a political animal

mostly by members of the Commercial, Catering and Allied Workers Union of South Africa (CCAWUSA), which is affiliated to the Congress of South African Trade Unions, the country's largest and one of its most politically active union groupings.

Checkers has been among retailers on the receiving end of countrywide black consumer boycotts which have been intended to make white businesses more aware not only of appalling living conditions in black townships but also of the potency of black spending power.

Blacks are not the only customers who have taken or threatened action against Checkers' supermarkets. Conservative whites in some rural Transvaal towns stopped patronising its stores after the company refused to dismiss black workers who heeded work stay-away calls by political activists.

On the business front, economic uncertainties have greatly complicated forward planning. "How do I sign a 30-year lease on a supermarket today?" Weil asks.

The recession and high inflation have already led to pronounced shifts in shopping patterns. According to Checkers' research, supermarket customers are abandoning their traditional month-end shopping spree in favour of smaller purchases made on more frequent visits.

Checkers' problems have been compounded by an over-ambitious expansion programme in the early 1980s, which gobbled up cash and turned the company into a heavy borrower. Fierce competition from South Africa's two other leading supermarket chains, Pick 'n Pay and OK Bazaars, eroded Checkers' market share.

Poor staff morale was reflected by a high level of shrinkage, reaching almost 2 per cent of sales last April. Weil, who took over as managing director in April 1985, is Checkers' fifth chief executive in eight years.

The company, a wholly-owned unlisted subsidiary of the troubled Kirsh trading group, had revenues of R1.7bn (£437m) last year. Bottom-line figures are not disclosed, but it is no secret that Checkers has run up uncomfortably big losses.

A new dimension was added last September when Kirsh trading was taken over by Sanlam, one of South Africa's two biggest life assurers and a bastion of pro-government Afrikaner business. Several Sanlam executives now sit on Kirsh Trading's board. (It is soon to be re-named Trade-gro.)

Far from being in the Sanlam mould, Weil, aged 40, is a product of South Africa's active Jewish business community. He worked for a leading food processor and, most recently, for a large wholesaler before joining Checkers.

Weil seldom wears a tie to work, favouring a short-sleeved, open-neck shirt with a large button reading: "Hello, my name is Clive. I'm here to help."

"I'm not a political animal," he insists. Unlike some of his counterparts, he has made no ringing calls for the release of black nationalist leader Nelson Mandela or the unbanning of the African National Congress.

Nonetheless, Weil is acutely aware of the widening political dimensions of South African business. He equates the dilemma facing South African business people today with that of many Germans in the late 1930s. Strongly opposed to the Government's race policies, they nonetheless find themselves drawn into supporting the authorities on issues such as sanctions and national security, and thus become increasingly identified by blacks with the Government.

Despite calls by black trade unions to be more outspoken, Weil believes that both Checkers' and the country's interests are best served by what he calls "quiet diplomacy."

Weil appears in Checkers' TV ads as part of the chain's strategy to restore customer and employee confidence. Market share has picked up in recent months and he predicts that the chain will be in the black for the fiscal year starting in July 1986.

When it comes to expressing political views, however, Weil prefers to steer clear of publicity. He argues that "the more you criticise, the tighter the laager gets. I get the impression that government sees business as a bunch of opportunists trying to curry favour with the African National Congress, but at the same time trying to stay on good terms with the Government."

Weil is confident that his tactics of dealing with Pretoria "in a quiet, dignified way" achieve better results. He cites an unpublicised visit to the normally unyielding law and order minister Louis Le Grange shortly after police began detaining leading trade unionists when the current state of emergency was declared on June 13.

Several CCAWUSA officials have been let out of jail since then. Weil thinks that his quiet intervention contributed to the decision to release them.

On the other hand, there is no evidence that such low-profile tactics have had any more success in speedignpu ufn ...... tal political reforms in South Africa than the public speeches and newspaper advertisements preferred by many other businessmen.

Within Checkers itself, Weil says that: "We've tried to conduct ourselves in a businesslike way. I've tried to be as charitable and reasonable as one could be, having regard to the fact that this is a company which is not in profit."

Workers who obey political stayaway calls are not dismissed, but neither are they paid. Trade unions have criticised Checkers however, for employing white casual labour to replace absent blacks.

Weil reacted to the poisoned meat threat in a similarly pragmatic way. He quietly withdrew the product in question from supermarket shelves, pleaded with the local newspaper not to publish the story, and called in the police.

Checkers has refused to bow to the immigrant group's demands not to stock some imported merchandise. The chain's reply was that many companies based in countries favouring sanctions against Pretoria have made a substantial commitment to South Africa by investing in the country.

Regional managers, each overseeing six to eight supermarkets, are the key link between Checkers' head office in Johannesburg and individual store managers.

The store managers have no authority in pricing merchandise, but play an active part in drawing up expense budgets for their stores. They are also responsible for two increasingly time-consuming duties — security and negotiation with trade unions on local issues.

Weil says that experience so far suggests that regional managers who give the greatest possible latitude to individual store managers achieve the best results.

On a more daring note, Checkers is one of a handful of South African companies breaking new ground by examining innovative ways of increasing the long-term loyalty of their black workers.

A recent informal survey of the chain's black workforce failed to turn up a single individual who favours free enterprise. In contrast to many private sector leaders who argue that business should work harder at converting blacks to the capitalist ethic, Weil says that "we will not get the black man to move closer to us. We're going to have to move closer to him. We're going to have to make the same moves in the micro-economy as the government is going to have to make in the macro-economy."

Among the ideas now being mulled over at Checkers are active worker participation at board level along the lines of West German industry, greater participation by workers at lower decision-making levels, and some form of financial stake (other than share ownership) for black workers in the company.

No firm decisions have yet been made and negotiations on these and other options have yet to take place with the unions. The company is concerned, according to Weil, that "once you go into this, there's no turning back."

If one eye is on his black workforce, Weil is also trying not to lose sight of the market potential of blacks, widely recognised as a hugh growth area for the food industry in particular and South African business in general.

Checkers has traditionally concentrated on affluent white housewives. But falling white living standards and an already over-traded market have persuaded Weil to give greater attention to black custom.

While closing several white-oriented stores as part of the company's recovery plans, Checkers has bought a 54 per cent interest in Jazz stores, a chain aimed primarily at urban blacks. Checkers has converted nine of its supermarkets into Jazz outlets.

Jazz in turn has concluded a management agreement with the black owners of Blackchain, a group of struggling supermarkets in black townships such as Soweto, near Johannesburg.

"We have to attack the black market as best we can," Weil says. "That is going to be the growth market." In particular, he looks forward to the day that the Government abolishes the Group Areas Act, the cornerstone of apartheid which enforces racially segregated residential areas.

Already, many black, coloured and Indian families have begun moving (illegally) into "white" areas. Pretoria is widely expected gradually to let the Group Areas Act fall away.

Weil predicts that the integration of residential neighbourhoods will benefit not only South Africa, but also his business. "I think we'll find that some of those under-traded (white) shopping centres will become very, very viable," he says.

Checkers supermarkets: treading a pragmatic path

BUSINESS PROBLEMS

Bank security and voluntary liquidation

We were involved with a company, as directors, that went into voluntary liquidation in 1981. The liabilities are in the region of £100,000; the creditors are made up by the bank, one-third; the directors, one-third; all of the other creditors, some 500, the remaining one-third. The bank is the only secured creditor, in addition to which it holds personal guarantees from the directors. The assets of the company amounted to a sum in the region of £55,000 which was more than adequate to settle the secured creditor. This money was lodged with the bank to offset interest on the overdraft. We are now told that there are no funds left to pay the secured creditor and that the bank is looking to the directors to meet their guarantees together with substantial interest, amounting to a total of some £70,000. We were never told by the bank that the offsetting arrangement had been cancelled nor are we able to get any explanation from the liquidator.

In your opinion has the liquidator the right to use all of these funds without any regard to the secured creditor? Also could not the bank have taken steps to secure payment knowing that funds were in hand?

If you are a guarantor of the company's indebtedness you are concerned to ascertain how it has come about that the funds with the bank are now said not to be available to discharge the secured debt. You should require a full explanation from the bank. If this is not satisfactory (or not forthcoming) you should consult a solicitor with a view to taking out a summons in the liquidation for a declaration that the sum was lodged as security, or possibly, setting aside any fraudulent preference which may have occurred, and for consequential directions. All this depends on facts which are at present obscure. The legal position may be quite complicated and professional advice is essential.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

TECHNOLOGY

David Fishlock, Science Editor, looks at Twyford a plant breeding centre

Hothouse that spawns food from thought

A LABORATORY in Somerset, England, has just shipped 1,000 date palms to Iran, in an experiment to try to renew the stock of a palm particularly favoured in that country. The plants, only a few inches long, are worth up to £20 each to Twyford Plant Laboratories, near Glastonbury.

If the experiment works, the date palm could account for 15 per cent of the sales of this fast-expanding new biotechnology venture by the end of the decade, forecasts Jeff Hooper, the company's chief executive. Australia, where another 1,000 plants — this time sealed individually in test tubes to comply with import regulations — are to be dispatched this autumn, offers another promising market opportunity, in addition to a dozen Middle Eastern states.

Twyford estimates the world stock of date palms at 100m, of which 5-8 per cent are renewed each year, a market worth more than £50m. It believes its tissue culture techniques can offer ready access to "elite" lines of fruit, the flavour and texture of which are specially sought in countries where dates are a staple part of the diet.

Until 1982, when it was bought by American venture capitalist Jack Hesse, Twyford was an offshoot of Arthur Guinness, the brewers, employing around 30 people on plant tissue culture lines the brewery believed might one day give it access to new feedstock technology. Twyford was shipping about 900,000 plants a year—all cultured from plant tissue—under contract to customers such as the Dutch bulb-growers.

Today a staff of 200 is shipping 4m-5m plants a year, from what Jeff Hooper claims to be the biggest tissue culture laboratory in the world. The company is limited by production at present but is building a big cold room to suspend plant growth on part of its production line, in the hope of accommodating the sharp annual peak in demand for spring planting.

In rural Somerset Twyford's intensive cultivation and packaging operation is known locally as "the factory." But it demands from employees the kind of dexterity and close attention to cleanliness characteristic of the semiconductor industry.

Supporting production is a scientific base absorbing one-fifth of the company's staff, including 16 PhDs, headed by Dr Kenneth Giles, research director. His brief is to turn Twyford from a contract tissue culture laboratory, cultivating other people's stock, to a source of new plants such as the date palms already mentioned and bananas. Cultured from scratch these will be protected against illicit copying by the company's own "fingerprinting" techniques (see accompany story).

As Hooper says: "The money in this business is going to be made out of controlling germ plasm." After four years of new management, about 25 per cent of the sales of this plant biotechnology venture come from its own research into micropropagation.

Micropropagation means taking a shoot tip that is just beginning to show leaf growth from a healthy plant, gently sterilising it, and putting it into a culture medium to acclimatise. If all goes well, within a few weeks the fragment of plant tissue will have developed into a small, unrooted shoot.

This shoot is then ready for sub-culture on a fresh medium, rich in cytokinins which encourage early shooting of the axillary buds. After three weeks these buds can be split to yield an average of five times as many shoots. Three weeks later they can be split again — a 25-fold average multiplication in only six weeks.

To sustain this kind of replication, however, requires laboratory conditions for the control of heat, light, aeration and freedom from infection, as well as the skill to choose the right culture medium.

The micro-shoots must then be rooted, either in another medium which encourages growth of roots in vitro, or as micro-cuttings which can be potted out. Micro-cuttings need far less cosseting than in vitro shoots, but the technique does not work for some of the more commercially desirable crops such as the date palms.

For its date palm venture Twyford has built on a basis of data procured from the US Department of Agriculture, scientists from which have been interested in the crop since 1912. It has proved trickier to propagate than the oil palm, on which Unilever of the UK — acknowledged to be the technological leader — is said to have spent £10m, since 1972.

Twyford has developed a somatic embryo-genesis route for micropropagating the date palm. This means cutting out the growing point from the very centre of the palm, Dr Giles explains. This cutting is split into bits for incubation in a culture medium laced with growth regulators, where it resides for 8-12 months.

Then it begins to sprout embryos from the body of the plant tissue fragment—somatic embryos—which can be replicated by cutting and incubating further fragments of tissue. Each fragment is cultured in its own test tube—in effect, its own personal greenhouse—where it is force-fed on sucrose until it is some six inches high and complete with a root.

At this stage it is replanted in a real greenhouse in conditions of high temperature and relatively still air. Mycorrhizals are added to increase its uptake of phosphates and help protect it against disease.

Twyford shipped its first few specimens in 1983. A handful sent to Abu Dhabi now stand seven feet tall. The big consignment, sent to Iran this summer, arrived safely with few losses.

In 1984 Twyford set up a subsidiary, Date Palm Developments, to study the market potential of a dozen Middle East countries. "We got a very clear idea that there was a big market," says Jonathan Crowe, the company's managing director, and business development manager of Twyford.

His company reported that, owing to the problems of propagating the palm by time-honoured methods, there was an urgent demand from countries, in which the date is a staple food, for fruit of a particular crispness and flavour, coupled with a high yield and resistance to disease. A tissue cultured plant which successfully met this specification could expect to fetch the highest price of any commercial plant stock—as much as $200 per plant.

Jonathan Crowe, managing director of Date Palm Developments (left) looks over some test tube examples of new Date Palm trees with John Spurr technical director of the project

THE present business of Twyford Plant Laboratories is founded on tissue culture techniques to improve upon nature; in the case of the date palm, specifically on the technique described in the main article.

Further ahead lie opportunities for more radically modifying crop characteristics by transplanting genes — genetic engineering — using the technology of recombinant DNA, the basis of life.

Twyford's biochemists are already exploring DNA probes as a way of "fingerprinting" plant tissue in order to establish beyond doubt a proprietorial right to a newly-cultured stock.

Dr Ken Giles, research director, hopes to have such a test for guaranteeing the authenticity of Twyford's date palms before the end of this year.

This autumn the company also plans to launch a new genetic engineering laboratory in Cambridge, England, devoted to the development of new crops. "We have chosen Cambridge because our advisers tell us Britain has the best plant science expertise in the world," says Jack Hesse, the American venture capitalist who brought Twyford from Guinness in 1982. His new laboratory will have a team of 40, doubling the company's current research staff.

How to keep fire at bay longer

FIRE CAN be kept at bay longer with a roller shutter door from Wormald Building. Known as Pyroshield, the shutter is anchored at one end to the ceiling and rolls up on to a steel tube barrel immediately behind and also at ceiling level. Thus, with the door down and completely unrolled, fire has a double thickness or door to penetrate and the bottom of the "U" of the shutter sits on the floor to form a seal.

Each thickness or door is a sandwich of slatted steel on the outside with mineral wool in the middle. The overall construction gives Pyroshield a four hour rating and a three hour insulation ability.

With test temperatures of 1,200 deg C on one side, the exterior face reached only 140 deg C after three hours says Wormald. Even after five hours the system remained intact. More on 061-205 2321.

MICROFILM RETRIEVAL with assistance from an IBM personal computer is offered in the Kodak Kar-1500 PC Information System, aimed at organisations dealing with up to 400 documents a day.

The PC is used at the document filming stage to link its index with the retrieval codes put on the film frames by the microfilmer. Then, any frame on a reel can be brought up on the reader screen in a few seconds by entering a document name or number on the PC keyboard.

Kodak believes that many office PCs are underutilised so that the addition of a filmer and reader with the appropriate software will produce an inexpensive microfilm system for documents. More in the UK on 0442 61122.

FORMS, a necessary evil in most organisations, can be looked after on a contractual basis in a new scheme from Moore Paragon, a leading UK manufacturer of forms and equipment.

The company will carry out a free analysis to identify, classify and monitor all forms of traffic within a company and will then plan an ideal system which will be held on computer. Moore Paragon will make the forms, store and distribute them throughout the client company, claiming to reduce significantly the operating costs that might otherwise be incurred. More in London on 928 9622.

IBM PERSONAL computer application programs continue to appear. The latest, rather useful, example is Routefinder from Service in Informatics and Analysis (SIA).

Routefinder uses the latest Department of Transport road network description to provide details of the best routes in England. The quickest, shortest or cheapest routes can easily be selected, using or ignoring specific places or roads if desired.

The software should appeal to transport companies, travel organisations, hotels, service departments and anyone whose job involves constant travelling in unfamiliar areas. More from SIA in London on 730 4544.

WORTH WATCHING

Edited by Geoff Charlish

BUSINESS EQUIPMENT sales by UK companies for 1985-86 is put by the Business Equipment Trade Association at £10.17bn of which £2.81bn was exported.

Computers, data/word processing and communications equipment accounted for £7.77bn while office machines and systems, including dictation, mailing, microfilm and reprographics were responsible for £1.61bn.

The number of employees in the industry totalled 148,618, of which over 94,000 were in the computer, data/word processing and communications segment. BETA is in London on 405 6233.

MICROCOMPUTER USERS on each side of the Atlantic can "chat" to each other on their screens using a new Microlink system.

The company runs a growing UK electronic mail service and is offering the new service via satellite to New York. It says the cost will be about half that of a conventional trans-Atlantic telephone call. More from Stockport, UK on 061 456 5383.

Video screens in vehicles

VIDEO SCREENS may now be looked at by road vehicle drivers in the UK provided they only provide information connected with driving the vehicle.

The Department of Transport has lifted the absolute ban on drivers looking at any kind of TV screen, but they still may not look at screens intended for entertainment.

First off the mark to exploit the change is Brigade Electronics of London (852 3261), which has launched a reversing video system costing £1,250. Called Backeye, it gives the driver a complete view of the blind area from his rear bumper to a point 15-20 metres behind the vehicle.

OIL DISPERSANTS newly developed by British Petroleum are able to reduce oil spills rapidly to minute droplets with little mechanical agitation. Natural biodegradation then takes over to ensure full dispersal.

The new product is called Enersperse and it is available in four forms to cover application from the air, at sea by spraying or by hand application on beaches.

Mazda Motor Corporation has developed an integrated information system for passenger cars, including a navigation system based on the US global position system.

The navigation system shows the car's present position and track as well as a recommended way to the destination on a map displayed on a multifunctional cathode ray tube. It also provides parking information, Mazda said.

The car communication system also features a mobile phone, receiver monitor and compact disc (CD) system, Mazda said.

It has yet to be decided when volume production of cars equipped with the CCS will start.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
160	F.P.	5/9	175	165	Acatos & Hutcheson 50p	175	+2	bd 5.25	2.9	4.2	11.7
§115	F.P.	22/8	161	128	‡Anglia Sec Homes 10p	161	+4	R1.63	5.0	1.4	19.9
§115	F.P.	22/8	125	118	‡Atlas Conv'ting Eqp 5p	121	......	R4.9	2.3	5.7	10.9
§67	F.P.	8/8	71	68	‡BBB Design Grp 5p	70	......	L1.0	4.2	2.0	16.8
‖	F.P.	—	318	280	BTR Nylex A$0.50	289	−7	Q15c	2.7	2.2	17.1
‖	F.P.	—	53	41	Bertrams Inv. Tst.	42	......	—	—	—	—
§63	F.P.	6/8	69	61½	‡Camotech 10p	63	......	R2.0	2.4	4.5	12.9
100	F.P.	4/9	85	84	Child Med C.IT£1‡‡	85	......	—	—	—	—
¶¶	F.P.	—	100	48	Clayform Warrants	50	......	—	—	—	—
§110	F.P.	12/9	124	111	‡Colne Int 5p	124	......	R2.7	3.4	3.1	13.6
134	F.P.	—	155	134	‡F & H Group 10p	155	+7	L4.76	2.5	4.3	12.8
§70	F.P.	22/8	74	71	‡Fletcher Den'ys S. 5p	71	−1	L2.5	1.9	5.0	15.1
210	F.P.	—	210	191	G. T. Management 1p	210	......	R3.0	3.4	2.0	17.6
150	F.P.	25/7	168	150	Guthrie Corp	167	......	u5.3	2.2	4.5	10.7
150	F.P.	15/8	165	156	Harrison Inds. 10p	163	......	g5.0	2.7	4.3	12.2
§92	F.P.	28/8	95	87	‡Hille Ergonom 10p	90	−2	L2.0	3.1	3.1	12.4
§20	F.P.	15/8	25½	21½	‡Hughes Food 5p	23	......	R0.5	2.8	3.1	16.6
105.25	F.P.	—	106	106	India Fund £1	106	......	—	—	—	—
—	F.P.	29/8	£39	£36	JF Pacific Warrant S.A.	£39	......	—	—	—	—
110	F.P.	5/9	98	90	‡Marlow Dev. 50p	95	−2	R3.13	3.0	4.6	9.1
§33	F.P.	29/8	34	27	‡Omnitech 1p	28	+1	—	—	—	—
§120	F.P.	29/8	120	110	‡Personal Comps. 5p	110	......	R3.0	3.3	3.8	11.2
§113	F.P.	29/8	116	112	St. David's Inv. Tst. Inc.	116	......	H6.8	—	8.3	—
§75	F.P.	29/8	77	75	Do Cap.	76	......	—	—	—	—
§72	F.P.	15/8	165	99	‡Shield Group 5p	165	+5	L2.0	3.1	1.7	24.1
§165	F.P.	1/8	184	157	‡Smallbone 10p	160	+2	u5.0	2.1	4.4	14.9
§110	F.P.	28/8	125	119	Stanley Leisure	119	−1	a3.25	2.8	3.8	13.2
145	Nil	—	14pm	11pm	Sutcliffe Speakman Utst	14pm	......	—	—	—	—
130	F.P.	21/8	158	137	‡TV-am 10p	158	......	R5.75	2.6	5.1	10.6
‖	F.P.	—	160	152	VSEL Consortium £1	160	......	W5.68	4.3	5.0	5.0
††	F.P.	—	100	95	Welsh Ind. Inv. Tst. 5p	95	−5	—	—	—	—
106	F.P.	22/8	112	100	Windsmoor 5p	104	......	a3.25	2.3	4.4	14.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
**	F.P.	—	155	135	Authority Ins. 8% Cov. Uns. Ln. 2006-11	145	......
£100	£10	23/10	10¼	9½	Bournem'th & Dist Wtr 10⅝%Rd Db 1996	10¼	+¼
99.160	F.P.	24/10	101½	99½	Elect & Gen. Inv. 10¾% Deb. 2021	100¼	−1¼
—	—	—	29	28	JF Pacific Warrant S. A. Pref.	28	......
105.529	F.P.	21/8	106½	98½	Land Securities 10% 1st. Mort. Deb.25	100¾	+¼
§99.937	£25	24/10	25¼	23¾	Nationwide 3⅞% IL Ln. 2021	25¼	+⅛
—	F.P.	—	100¾	100	Do 10⅛% 17/8/87	100⅛	−⅛
‖	Nil	16/9	5pm	1½pm	Ren Bros. Group 8.6% Cum. Cnv. Prf.	1½pm	......
‖	F.P.	30/9	106p	100p	Scamrock 5.75% Cnv. Cum. Red. Prf.	106p	+1
‖	F.P.	16/9	103p	101p	Stewart Ent. 6¼% Com. Cnv. Red. Prf.	101p	......
‖	F.P.	11/9	105	95	Utd Leasing 9½% Cnv. Sub Uns Ln '98—2001	95	......
¶ ‖	F.P.	—	102	101	VSEL Cons.11% Uns. Ln. 1996	102	......
—	F.P.	—	111p	107p	Wight C'ns Cv. Cm. Rd. Prf. 1999 10p	111p	......

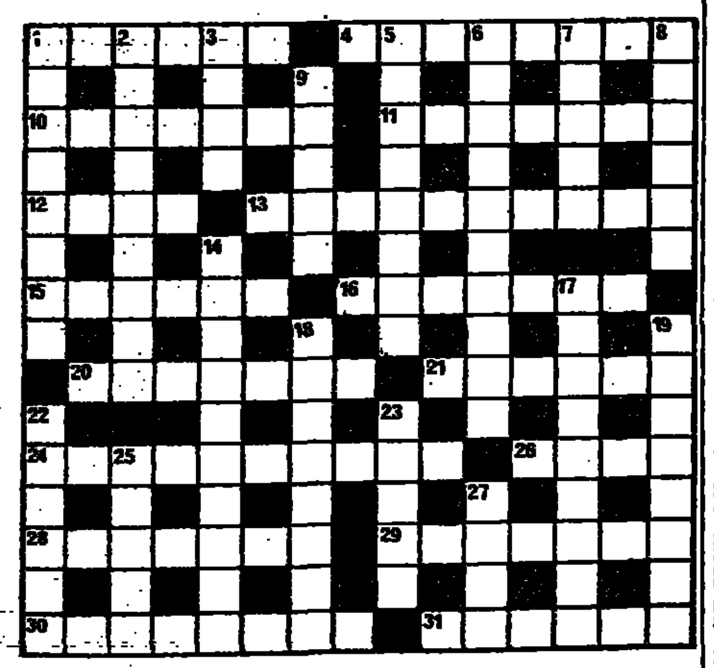
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
2	Nil	10/10	3½pm	2½pm	Assoc. Brit. Eng. 1p	2½pm	−½
190	Nil	—	15pm	6pm	BBA Group	6pm	−9
39	Nil	10/10	2½pm	1½pm	Blackwood Hodge	2½pm	+½
138	Nil	—	3½pm	3½pm	Brown & Tawse	3½pm	......
5	Nil	22/9	38pm	24pm	‡Cityvision 5p	24pm	−2
34	Nil	6/10	5pm	3pm	Foward Tech	5pm	......
450	Nil	—	40pm	33pm	Marler Estates	40pm	......
35	F.P.	12/9	70	55	‡Rockwood 10p	70	......
350	Nil	19/9	51pm	15pm	Rowntree Mackintosh 50p	25pm	−5
200	Nil	18/9	25pm	17pm	TVS N/Vtg. 10p	25pm	+4
390	Nil	3/10	117pm	105pm	WPP Group 10p	113pm	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement † Unit comprising of 1 New Ord., 1 9½% Red Prf. and 1 warrant.

FT CROSSWORD PUZZLE No. 6109

DANTE



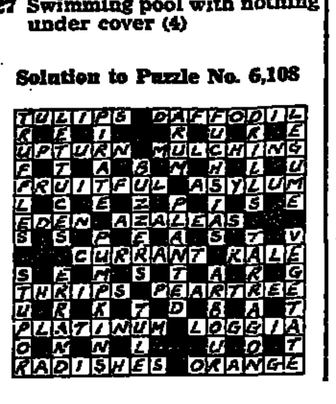
ACROSS

1 and 19 down: Spent some time on the psychiatrist's couch? (6, 2, 6)
4 Face up, perhaps, but not to a challenge (4, 4)
10 Stop, perhaps, in a remote settlement (7)
11 Dishonourable person retiring to rest, perhaps (7)
12 With each twist it hurts (4)
13 Charge for hiring a coach (7, 3)
15 What the unsatisfied audience may shout (6)
16 Withdrawing support? (7)
20 Strengthen dispute in Japanese currency (7)
21 Stock form of car tax (6)
24 Obstinate but brainy? (10)
26 A growing source of fuel (4)
28 Economy ruined Bert and Ivy (7)
29 This posting means trouble in China (7)
30 Insect with a lot to learn? (8)
31 Who had ordered a seat on a Jumbo? (6)

DOWN

1 Deceitful pair confronted (3-5)
2, 7 down and 22 down: Gave the game away to stop Tom being sacked? (3, 3, 3, 3, 2, 3, 3)
3 Enough for a poet, no two ways about it (4)
5 Dog Latin as a composition (8)
6 Essential employees in the security business? (3, 7)
7 see 2 down
8 Being annoyed, informed the police (6)
9 Strong drink? (5)
14 Calling for a declaration (10)
17 Don't let it bother you that you've always been inattentive (5, 4)
18 It could well be a sell-out (8)
19 see 1 across
22 see 2 down
23 Time not on our side? (5)
25 Put oil on some crane levers (5)
27 Swimming pool with nothing under cover (4)

Solution to Puzzle No. 6,108



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	18.5	19.7	+0.4	0.15
Pacific Basin	13.3	14.2	-0.1	0.2
Canadian Balncd Grwth	57.6	61.6	+0.6	0.98
Genmc Mar	102.2	106.5	-0.6	7.1

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	54.3	57.9	-0.2	1.50
British Growth (z)	64.5	68.4	-0.1	2.00
British Income (z)	64.0	67.9	...	5.00
British Extra Yield(z)	51.4	52.9	...	7.00

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.9	69.0	...	0.00
U.S. Govmt Bond F	50.512	0.514	...	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Convtbl & Equity Tst	48.3	51.4	...	7.70
Growth Trust	51.3	54.6	+0.4	2.29
Income Trust	53.0	56.4	+0.1	5.18

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	68.7	72.2	+0.3	2.97

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	123.8	131.0	+0.3	3.37

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sv Aug 8	—	103.1	...	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	206.9	217.8	+0.3	—
Equity Ser. 1	101.3	106.7	+0.4	—
Prop. Acc. Ser 2	278.5	293.2	+0.5	—
Equity Ser 2	110.3	115.9	+0.4	—
Selective Acc.	237.2	249.7	+0.5	—
Prop. Ser. 4	219.8	231.4	+0.4	—
Equity Ser 4	113.5	119.5	+0.4	—
Fixed Int. Ser. 4	191.6	201.7	-0.6	—
Indexed Ins. Ser. 4	115.2	121.3	-0.1	—
American Ser. 4	258.5	272.2	+1.0	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	99.0	105.0	—	—
Risk & Reward Bond	117.0	124.0	—	—
Murray Johnstone Fd	121.0	128.0	+1.0	—
Money Market Fd	100.0	106.0	—	—
Ivory & Sime Pens Fd	101.0	107.0	+3.0	—
Risk & Reward Pens Fd	99.0	105.0	—	—
Murray J'stone Pens Fd	117.0	124.0	—	—
Money Market Pens Fd	100.0	106.0	—	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series

Property Fund	111.2	117.1	...	—
Money Fund	221.3	233.0	+0.1	—
Managed Fund	409.7	431.3	+0.7	—
Equity Fund	251.4	264.7	+0.4	—
Fixed Interest Fund	149.4	157.3	-0.9	—
Far East Fund	221.6	233.3	-0.2	—
North American Fund	178.2	187.6	+4.0	—
Natural Resources Fund	132.1	139.1	-0.3	—
Pension Managed Fund	377.8	397.7	+1.0	—
Pension Equity Fund	241.4	254.2	+0.5	—
Adventurous Mngd Fd	108.7	114.5	+0.6	—
Balanced Mngd Fd	105.1	110.7	+0.3	—
Conservative Mngd Fd	105.1	110.7	+0.3	—
European Fund	103.5	109.0	+0.1	—
International Fund	104.2	109.7	+0.2	—

For other prices, please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds

Mixed	134.5	141.6	+0.4	—
Equity	158.1	159.1	+0.3	—
Property	108.4	114.2	...	—
Gilt & Fixed Interest	117.2	123.4	+0.2	—
Indexed Securities	101.1	106.5	...	—
Cash	107.1	112.8	...	—
North American	109.9	115.7	+0.9	—
Far East	133.7	140.8	-1.2	—
International	127.0	133.7	+0.6	—
Special Situations	146.1	153.9	...	—
International Income	139.9	147.3	+1.3	—
American Income	117.5	123.7	+1.4	—
European	150.5	158.5	+1.0	—

Flexible Retirement Plan

Mixed	139.5	146.7	+0.4	—
Equity	145.2	152.9	+0.7	—
Property	112.7	118.7	+0.1	—
Gilt & Fixed Interest	124.3	130.9	-0.1	—
Indexed Linked	104.5	110.1	...	—
Cash	114.9	121.0	+0.1	—
North American	115.8	121.9	+1.3	—
Far East	152.7	160.8	-1.7	—
International	136.6	143.8	+0.8	—
Special Situations	165.7	174.5	-0.1	—
European	173.5	182.7	+2.8	—

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund SA

2 Boulevard Royal, Luxembourg

World Fund NAV	$19.32	-0.10	—

World Wide Growth Management

10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$16.79	-0.08	—

Inv. Adv.: M & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA

10A Boulevard Royal, Luxembourg

Advanced Tech	$18.53	-0.02	—
Dynamic Gwth Fd	$20.27	+0.15	—

Zero Bond Fund Limited

PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$12.14	12.05		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	9.55		+0.05	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST.			01-236 0952	
Call Fund	9.72	7.29	10.61	6mth
7-day Fund	9.60	7.18	10.48	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE.			01-236 1425	
Call Fnd	9.69	7.29	10.38	6-Mth
7-day Fund	9.66	7.23	10.35	6-Mth
Dollar	4.81	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF			031-225 8484	
Full Service Cur Acc	9.25	6.80	9.82	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY.			01-638 6070	
Treasury Acc	9.25	6.91	9.99	Qtr
Mth. Inc. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-283 9111	
High Int. Cheque Acc	10.125	7.57	11.04	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH.			01-628 8060	
Money Mkt Cheque Acc.	9.30	6.95	10.31	Mth
Barclays Prime Account				
PO Box 125, Northampton			0604 252891	
High Int. Cheque	9.50	7.00	10.12	Qtr
Benchmark Trust Ltd				
9 Henrietta Place, W1M 9AG.			01-631 3313	
Cap Chq Deposit Acc	9.25	6.91	10.04	Mth
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH.			01-248 4000	
Sterling	9.50	7.10	10.33	Mth
U.S. Dollar	5.375	4.02	5.76	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss Francs	0.50	1.12	1.58	Mth

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase and ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	30	NEI	13
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect.	16
Babcock	17	RHM	20
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons.	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	26
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min	2½
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd.	48	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	38	Premier	3½
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	28	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk	44	Rio T Zinc	50
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Cocoa market springs to life

BY ANDREW GOWERS

THE LONDON cocoa futures market, which has been trading listlessly for several months in the expectation of a substantial crop surplus, suddenly leapt to its highest level since March yesterday.

The key December contract rose £31 on the day to close at £1,481.50 per tonne. Prices actually started moving up in the second half of last week, but this was its biggest jump since mid-July, when the market sprang into life with the successful negotiation of a new International Cocoa Agreement.

The explanation of the latest rise is less clear-cut. Analysts said currency factors played a role, with sterling weakening against the dollar, and there was some covering of short positions taken out before prices began to move up. Market participants are also beginning to talk of a possible downward revision of forecasts for the 1986-87 crop in the Ivory Coast, the biggest cocoa producer. The next cocoa season officially opens in October.

"You always get some choppiness in trading at this time of year, as the crop prospects begin to firm up," said one observer.

Traders have been speculating that then ext Ivorian crop may be a bumper 650,000 tonnes, but lower figures are now beginning to be advanced as a result of poorer-than-expected growing conditions. This talk is unrelated to remarks attributed in the Ivorian press last week to Mr Denis Bra Kanon, the Agriculture Minister, suggesting that production in 1985-86 might turn out to be between 50,000 and 75,000 tonnes lower than expected.

Another factor buoying the market yesterday was the natural gas leak which killed an estimated 1,200 people in Cameroun, another cocoa producing nation. However, there appeared to be little justification for this reaction, since the cocoa-growing areas are believed to be at least 50 miles away from the disaster area.

● Ghana exported 210,000 tonnes of cocoa during the 1985-86 crop year against 159,000 in 1983-84.

Sri Lanka tries to rally its ailing tea industry

BY MERVYN DE SILVA IN COLOMBO

THE GENTLE recovery in the tea market in recent weeks will provide little consolation to Sri Lanka's struggling tea industry, the world's second largest after India.

As Mr Ronnie De Mel, the Sri Lankan Finance Minister, told a recent meeting of the Chamber of Commerce, producers of what is still the mainstay of the country's three-crop economy (the others are rubber and coconut) are "heading for a serious crisis."

The industry is having to contend with a shrinking share of the world market, outdated processing facilities and—most seriously—stiff competition from Kenya, an exporter with much lower production costs and a more consistent track record as a supplier of what the market requires. On top of all that, it has been faced with a sharp fall-off in foreign sales as a result of a poison scare initiated by Tamil separatists.

The plight of the tea industry, which accounts for a third of Sri Lanka's export earnings, has been identified—along with soaring defence spending—as a "crippling blow" to the island's economy by both the World Bank and the International Monetary Fund.

Now the Government has come to the aid of producers with a price stabilisation fund and with subsidies to encourage producers to convert their factories to the manufacture of popular cut, tear and curl (CTC) teas, a speciality of Kenya and a type in which Sri Lanka has fallen well behind in recent years.

Not that Sri Lanka has been completely immune to the rising trend in world tea prices over the past few weeks, which stems from an anticipated drop in world production this year following a drought in North India. Tea prices have risen at Colombo's auctions, too, and volume has picked up as two major buyers, Egypt and the Soviet Union, have reappeared in the market.

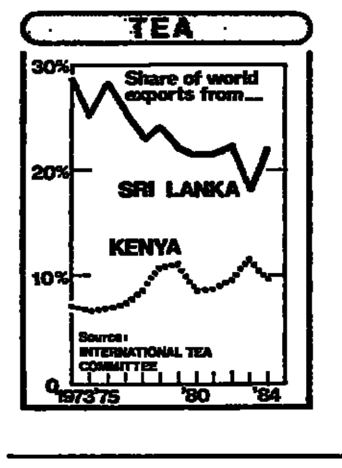
Egypt, the top buyer last year, had stayed away from Colombo auctions since February as a result of the slump in oil prices, foreign exchange problems and a huge bilateral trade deficit with Sri Lanka. Colombo has now agreed to buy more Egyptian goods.

However, the Sri Lankan Government is not rushing to congratulate itself. As Mr Montague Jayawickrema, the Minister of Plantations, observes, the tea industry's problems are much more fundamental.

The World Bank's Development Report points out that Sri Lanka's share of the international market has dropped from one third in the 1960s to one-fifth in the 1980s. Kenya's share, by contrast, has risen from 3 per cent to around 10 per cent in the same period.

The report blames the short-sighted policies of those governments that "exploited" monopoly power, "forcing consumers to find alternative suppliers," and substitutes for tea and domestic producers having "less incentive to invest in new technologies."

Sri Lanka's loss of the Pakistani market to Kenya is a striking example. In 1981 Pakistan was the island's biggest buyer but its purchases dropped from 22m kg in 1981 to 7.4m last year. Kenya had captured the market with its cheaper CTC teas.



Sri Lanka has also lost a lot of ground to Kenya in the British market.

Mr De Mel who returned from Kenya last month has approved a subsidy scheme to both private factory owners and the two large state corporations, the SPC (State Plantations Corporation) and the JEDB (Janata Estates Development Board).

All factory owners can now apply for a subsidy of up to 75 per cent of the costs of new machinery needed to manufacture CTC teas. While the Tea Board will give financial and technical assistance to the two state corporations, the Small Holdings Development Authority will help small producers.

Kenya's cost of production, noted the Finance Minister, was nearly half Sri Lanka's average of Rs 40 (95p) per kg. In the recent past, Kenya has produced 2,500 to 3,000 kg per hectare per year whereas Sri Lanka, once regarded as one of the more efficient producers, now gets only 950 to 1,030 kg per ha. While many Kenyan tea companies declared dividends approaching 50 per cent, only a small percentage of Sri Lanka's privately owned companies have declared dividends at all. The vast majority of both state and private tea estates have been run at a loss, the Minister observed.

The producers, meanwhile, complain of taxes and Government imposed levies. In this area, too, there is a discrepancy between Kenya and Sri Lanka. Depending on the quality of tea, Kenyan tax rates vary between zero and 14 per cent, whereas Sri Lanka's range from 14 to 38 per cent.

The Sri Lankan Plantations Ministry has established a price stabilisation fund from which producers will be paid a subsidy whenever the national average auction price falls below Rs 34 per kg. In April-May, the average sale price was about Rs 27. Last month it was down to Rs 24, but it has since risen to nearly Rs 30. A subsidy of Rs 1.5 per kg of made tea and 25 cents per kg of green leaf will be given.

All tea factories fetching a gross monthly average sale price between Rs 22 and Rs 34 per kg will be entitled to this subsidy during the months in which the national average price has fallen below Rs 34. The Tea Board, which will monitor the scheme, has called for production and other figures from all factories.

But these measures may not pull the JEDB, the biggest producer, out of trouble. Its state-owned partner, the SPC, owns rubber estates and these rubber holdings have helped it to keep its head above water. The JEDB is trying to borrow money abroad for the modernisation of its factories.

The tea industrwy state is of vital importance to an island in the grip of a violent insurgency launched by Tamil separatists in the North and East. This has not reached the tea plantations yet, but there have been rumblings recently.

THE LATEST official production figures, just released by the International Tea Committee, confirm expectations of a drop in world tea production this year.

Between January and June, north Indian production—which has been hit by dry growing conditions—totalled 127,746 tonnes, compared with 165,844 in the corresponding period last year. Total world output was put at 468,928 tonnes, against 532,500 a year ago.

Output was also down in South India, Kenya, Indonesia and Bangladesh, while in Sri Lanka it is said to be little changed from last year, at 116,066 tonnes in this first half.

France prepares drought aid package

THE FRENCH Government was expected last night to announce a farmers' drought aid package which press reports forecast would amount to some FFr 1bn (£100m), reports Reuter from Paris.

After Mr Jacques Chirac, the Prime Minister and a former Agriculture Minister, chaired a meeting on Monday to discuss the measures to be taken the Government said the aid would include emergency grain supplies for animal feed and financial help for farmers.

Mr Francois Guillaume, the Agriculture Minister, was due to meet representatives of the main farming unions yesterday to examine the Government's recommendations and reach a final decision.

Farms in parts of central and south-western France have been seriously short of rain for the second year in succession.

● US FARMERS' increasing yields, decreasing costs and improved net cash income last year was offset by shrinking land values and a slowdown of agricultural exports, according to a US Department of Agriculture (USDA) study.

Total farm output increased by 6 per cent in 1985, led by feed grain production, mainly because of record-breaking maize yields, the study says.

With Government supports heavily supplementing incomes the number of financially distressed farmers was down from the 1984 level. But "commercial-size" operations—those with annual sales of $40,000 plus—increasingly saw debts outpacing assets, perhaps because of unusually heavy reliance on Commodity Credit Corporation loans late in the year, the USDA suggested.

Lower interest rates helped to lift net cash income by 12 per cent to $44bn, but net farm income, a measure of the net value of farm production, slipped 7 per cent from 1984s record $30.5bn.

● THE AUSTRALIAN Government has ratified its A$100m (£40m), three-year aid package to the country's sugar industry in a joint agreement with the Queensland Government, Mr Bob Hawke, the Prime Minister, announced. The package provides price support, farm and mill adjustment measures and deregulation measures.

● TAIWANESE maize importers have agreed to renew a five-year agrement to buy US maize, dropped a threat to buy elsewhere in protest at protectionist US textile trade legislation.

● CHINA plans to triple coal exports by 1990 from this year's level of 10m tonnes, partly by exploiting the ban on South African coal imports imposed by some European countries, a manager of the China National Coal Import and Export Corporation said.

● THE EUROPEAN Commission yesterday confirmed that only 64 tonnes of "ageing" butter were sold to animal feed manufacturers at a recent tender. An earlier figure of 2,000 to 3,000 tonnes supplied by the Commission was wrong.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)
(tonnes)

Aluminium	−1,175 to 127,550
Copper	−150 to 156,825
Lead	+550 to 40,925
Nickel	+402 to 7,968
Tin	−400 to 47,715
Zinc	+250 to 25,050
(ounces)	
Silver	+100,000 at 27,496,000

Rain adds to harvest frustrations

FARMER'S VIEWPOINT
By John Cherrington

IN A NORMAL year 10 to 12 fine August days should be enough for me to complete harvesting of my 600 acres of wheat and barley. This year, however, the combination of a late crop and the rains of the past week mean that I may not be through until mid-October.

The crop has been very slow to ripen and instead of getting started in the first few days of August I din not open out the first field until late on the 18h. Even then the barley was not quite ripe. Ripeness is indicated first by appearance. The ears should be hanging down and the whole field looking like a flat brown table. But there were quite a few ears which obstinately refuse to hang down. But I was getting impatient rubbed out a handful of grain and, finding it to be around 24 per cent moisture, decided to have a go.

A moisture figure of 24 per cent means that the crop has to be dried down to a safe level of below 16 per cent. which either means running the drier at half-speed or using a lot of heat. Too much heat can damage germination, which makes barley unfit for malting. On the other hand, if I run the drier slowly it will mean a bottleneck developing at the drier. There is nothing worse than having the drier blocked as the weather improves and the grain comes in in increasing quantities.

To help me make up my mind, I take a sample to a laboratory to have the nitrogen percentage tested. I should explain that in my young days malting barley trading was a matter of skill and experience, a mystery even. Today's buyer looks a the sample, asks the variety and then hands over to the laboratory. There it is put through a number of tests and the answer comes up electronically. On this first test it showed a not very promising figure of 1.9. At market the previous week the buyers had stated that they did not want the variety I was growing and certainly not with a nitrogen reading as high as this.

So the combine started and I told my drier man to use as much heat as he liked but to get the moisture down below 16 per cent. But experience has also taught me that a maltster's judgment is very subjective so I spent a bit of time ringing around my sources.

From these it appeared that there was a shortage of malting barley, particularly in Europe. One opined that even barley of 1.9 per cent could be worth a premium and another one wanted to come and take a sample. Thus encouraged I ordered a reduction of the heat applied and arranged temporarily to store the harvested grain in heaps on the floor to ease the pressure on the drier.

We finished the first 100 tonnes in just 24 hours and started on the next field. Moisture by that time had come down to 21 per cent—that was the evening of Tuesday 19th.

Then the weather changed. There was about half an inch of rain and by Friday afternoon we had secured another 60 tonnes before rain finally stopped play. On Saturday the rain did not let up until late evening and we decided to have a go on Sunday. But a quarter of an inch of rain on Saturday night put paid to Sunday work. Although Sunday was fine I could not get a moisture reading below 26 per cent, so waited until Bank Holiday Monday.

The weather forecast was dreadful but at least it started off dry and we got the combines rolling at 9 am, only to be rained off again within the hour. During the next 24 hours we had 1½ inches of rain and a high wind. This means 125 tonnes of water to the acre and a good deal of the cereal acreage beaten down. Fortunately, the crop is still not quite ripe or the wind could have torn the ears off. Even so there are bound to be quite heavy yield losses.

I have reminded two or three possible buyers that I have one of the few tonnages of sound barley about and now is the time to buy, before the market takes off. They profess themselves unimpressed, however.

There isn't a great deal of time. It has taken me a week to do two days' havesting. The days are getting shorter and at this rate of progress it will be mid-October before I am through. The quality of the barley and the wheat is bound to deteriorate. It will sprout and become useless for anything but animal feed, unfit even for an intervention store. By making me a worthwhile offer now they could be making the wisest decisions in their lives. From long experience I point out the years in the past when harvest has been delayed until the New Year.

But they are an unimaginative crowd and not easily impressed by prophesies of doom. But I have a nasty feeling that the 1986 harvest, which was looking very good, could well turn out to be disappointing. Only the EEC budget will benefit from the present situation. Watch this space for further details.

LONDON MARKETS

THE NEW-found buoyancy of the coffee market following last week's reduction of the official estimate of the current Brazilian crop was maintained yesterday, although the tide was turned back in the afternoon. At one point the November futures position touched a 4-month high of £2,295 a tonne, but it settled back to end £55 up from Friday's close at £2,227.50 a tonne. On the London Metal Exchange meanwhile zinc was the star performer, with the cash quotation adding £15.50 to last week's advance at £580.50 a tonne. The market shrugged off news that Noranda planned to re-open its strike-mound Valleyfield smelter next week with non-union labour and was helped by European Zinc Institute figures putting non-Communist world stocks of the metal 13,200 tonnes lower than in June. With established chart resistance levels being breached the rise was fuelled by short-covering and the triggering of stop-loss buying orders.

LME prices suppplied by Amalgamated Metal Trading.

ALUMINIUM

Official closing (am): Cash 784-5 (770-70.5): three months 771-2 (759-9.5): settlement 785 (770.5). Final Kerb Close: 771-2. Turnover: 21,550 tonnes.

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	780-1	+8.5	796/785
3 months	768.5-9	+11.25	776/767

COPPER

[illegible]

LEAD

[illegible]

NICKEL

[illegible]

ZINC

[illegible]

GOLD

[illegible]

SILVER

[illegible]

MEAT

[illegible]

COTTON

[illegible]

INDICES

REUTERS

Aug 26	Aug 21	M'th ago	Year ago
1453.2	1439.6	1465.0	1683.4

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Aug 25	Aug 22	M'th ago	Year ago
Spot	117.27	117.66	—	114.34
Fut	118.89	117.82	—	114.32

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Aug. 26 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1285/305	+10	$1285/255
Copper			
Cash Grade A	£873.25	−3.75	£884.75
3 mths	£888.75	−1.5	£904.25
Gold Troy oz	$382.375	−0.5	$352.5
Lead Cash	£269.5	....	£258.5
3 mths	£272.75	+1.5	£261.25
Nickel			
Free Mkt	172/182c	−1	178/188c
Palladium oz	$142.00	+1.5	$113.05
Platinum oz	$594.60	+9	$448.00
Quicksilver†	$135/145	....	$170/185
Silver troy oz	345.55p	−4.95	338.25p
3 mths	353.85p	−4.70	346.15p
Tin			
free mkt	£3680/700	+10	£5690/72
Tungsten	$55.63	....	$54.42
Wolfram 22.0lb	$35/45	....	$42/60
Zinc	£580.5	+15.5	£538
3 mths	£580.75	+16	£534.37
producers	$840	....	$840
OILS			
Coconut (Phil)	$215w	....	$250
Palm Malayan	$202.5x	+7.5	$212.5
Copra (Phil)	$140w	....	$140
Soyabean (U.S.)	$152y	−2	$166
GRAINS			
Barley Fut.Nov.	£105.85	−0.45	£105.05
Maize	£150.50	....	£135.00
Wheat Fut.Nov.	£107.85	−0.85	£105.00
No. 2 Hard Wint.	‡	....	‡
OTHERS			
Cocoa Ft. Dec.	£1481.5	+31	£1459.5
Coffee Ft. Nov.	£2227.5	+55	£1882.5
Cotton A Ind.*	37.35c	+0.15	36.40c
Gas Oil Oct.	$138	+3	$97.00
Rubber (kilo)	69.5p	+0.5	69.50p
Sugar (raw)	$131z	−2.5	$154.50
Wooltops 64s	385p kilo	....	388pkilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. [illegible]

JUTE

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

SOYABEAN MEAL

[illegible]

GRAINS

[illegible]

POTATOES

[illegible]

US MARKETS

GOLD AND SILVER futures closed nearly unchanged, having pulled back from session highs reached in early trading reports Heinold. Platinum was mostly higher with ring activity, remaining relatively quiet in moderate volume. Gold and silver prices had been led by platinum, which rallied to new life-of-contract highs across the board before backing off as prices edged closer to the psychological $600 level, basis October. Cocoa futures closed on highs with strong commission house chart buying sustaining the advance. Fund managed accounts were actively seen to be adding to previously established long positions based on some trailing technical indicators. However, scale-up hedge selling, probably on behalf of origins, was accommodating to a large extent whatever the commission houses wanted to buy. Coffee futures closed moderately lower. Trading was active but volume was lighter than in previous sessions. Speculative profit-taking pressured September and December but trade and commission house sources noted computer fund buying support below the $2 level in both nearby months.

NEW YORK

[illegible]

CHICAGO

[illegible]

RUBBER

[illegible]

SUGAR

[illegible]

OIL

[illegible]

FREIGHT FUTURES

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

US dollar slightly firmer

THE DOLLAR showed little overall change from either Monday's close in New York or the close in London on Friday. Trading volume was low since there was no economic news to encourage dealers to take out fresh positions. The market lacked any desire to move out of its recent trading range ahead of tomorrow's meeting of the West German Bundesbank central council. This will be the first official meeting since the US discount rate was cut to 5½ per cent and opinions are fairly evenly divided as to whether US pressure will be sufficient to prompt a cut in rates this time.

Some short covering developed in the afternoon against the D-Mark although this was mainly a reflection of the market's lack of consensus on what the Bundesbank may or may not do. In addition US trade figures and leading economic indicators are due for release this week, adding to the uncertainty. A cut to 7½ per cent from 8 per cent in many leading US prime rates was expected and had little effect.

The dollar closed at DM 2.0495 from DM 2.0445 on Friday and Y154.95 compared with Y153.35. Against the French franc it finished at FFr 6.7150 from FFr 6.6950 and SFr 1.6520 from SFr 1.6510. On Bank of England figures, its exchange rate index rose to 110.8 from 110.3.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. July average 1.5121. Exchange rate index 71.1, up from 70.8 at the opening and a low of 70.8 but still down from 71.6 on Friday.

Sterling recovered from the day's low but remained depressed ahead of today's UK trade figures which some dealers expect to show an overall deficit. There was very little to take attention away from a generally gloomy economic outlook although firmer oil prices probably helped the pound to finish above its worst level. Against the dollar it closed at $1.4835 from $1.4875 and was unchanged against the D-Mark at DM 3.04. It was higher against the yen at Y229.75 from Y228.0 and FFr 9.9625 from FFr 9.9575 but eased to SFr 2.45 from SFr 2.4550.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.0415. July average 2.1521. Exchange rate index 140.0 against 135.9 six months ago.

Trading was quiet and uneventful for much of the day in Frankfurt. The dollar was confined to a narrow range in the absence of any economic data or other news. It was fixed at DM 2.0453 from DM 2.0413 on Monday without Bundesbank intervention. Much now depends on whether the Bundesbank decides to cut its discount rate at tomorrow's meeting of the central council. The dollar closed at DM 2.0475 from DM 2.0420 on Monday. Elsewhere, currencies traded quietly within the EMS with no obvious signs of central bank intervention to support the weakest member, the Danish krone.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 153.15. July average 158.31. Exchange rate index 216.6 against 188.9 six months ago.

Trading was very quiet in Tokyo and the yen showed very little movement against the dollar. There was no fresh news to shake the market out of last week's lethargy and the US unit finished at Y153.95 against Y153.65 in New York and Y153.90 in Tokyo on Monday. The dollar is expected to be confined to a narrow range until the release of economic data later this week and a meeting of the Bundesbank tomorrow.

£ IN NEW YORK

Aug 26	Latest	Prev. close
Spot	$1.4815-1.4825	$1.4800-1.4815
1 month	0.56-0.49 pm	0.55-0.53 pm
3 months	1.40-1.36 pm	1.51-1.48 pm
12 months	1.53-4.55 pm	5.05-4.90 pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

Aug 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4770-1.4870	1.4830-1.4840	0.55-0.52c pm	4.33	1.46-1.41 pm	3.87
Canada	2.0615-2.0733	2.0680-2.0690	0.33-0.23c pm	1.62	0.72-0.57 pm	1.25
Nethlnd.	3.41¼-3.43¾	3.42¾-3.43¾	1⅝-1½c pm	5.24	4⅛-3⅞ pm	4.66
Belgium	62.62-63.07	62.80-62.90	18-13c pm	2.96	43-34 pm	2.45
Denmark	11.43¾-11.51½	11.49½-11.50½	2⅞-1⅛ore pm	1.83	3½-2⅞ pm	0.98
Ireland	1.0985-1.1065	1.1050-1.1060	par-0.10p dis	−0.14	0.05-0.25dis	−0.52
W. Ger.	3.02¼-3.04½	3.03½-3.04½	1⅝-1½pf pm	5.92	4⅛-4 pm	5.43
Portugal	213.20-215.77	214.14-215.77	90-175c dis	−7.39	270-505dis	−7.20
Spain	198.20-199.28	199.00-199.28	35-90c dis	−3.77	110-205 dis	−3.16
Italy	2084-2097½	2093½-2094½	3-8 lire dis	−3.15	5-12 dis	−1.62
Norway	10.82¾-10.87	10.85¾-10.86¾	3⅞-4¾ore dis	−4.28	11¾-12¾ dis	−4.49
France	9.90½-9.97¾	9.95¾-9.96¾	2⅝-1⅞c pm	2.71	5⅞-4⅞ pm	2.11
Sweden	10.21-10.26½	10.24½-10.25¾	1-⅞ore pm	0.73	1⅝-⅞ pm	0.44
Japan	227½-230¼	229¼-230¼	1⅛-1y pm	5.87	3-2⅞ pm	5.00
Austria	21.32-21.42	21.38-21.42	10-8⅞gro pm	5.26	25⅞-22⅞ pm	4.46
Switz.	2.43½-2.45½	2.44½-2.45½	1⅛-1⅛c pm	6.12	3½-3¼ pm	5.51

Belgian rate is for convertible francs. Financial franc 63.65-63.75. Six-month forward dollar 2.73-2.68c pm, 12-month 4.97-4.87c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Aug 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4770-1.4870	1.4830-1.4840	0.55-0.52c pm	4.33	1.46-1.41 pm	3.87
Ireland†	1.3420-1.3475	1.3435-1.3445	0.70-0.35c pm	4.68	1.85-1.35 dis	4.75
Canada	1.3935-1.3960	1.3950-1.3960	0.28-0.31c dis	−2.54	0.90-0.95dis	−2.65
Nethlnd.	2.3000-2.3150	2.3120-2.3130	0.17-0.14c pm	0.81	0.47-0.42 pm	0.77
Belgium	42.32-42.41	42.30-42.40	4-6c dis	−1.42	14-18 dis	−1.51
Denmark	7.72-7.75½	7.75-7.75½	1.40-2.00ore dis	−2.64	5.50-6.10dis	−3.00
W. Ger.	2.0400-2.0500	2.0490-2.0500	0.26-0.23pf pm	1.44	0.77-0.72 pm	1.46
Portugal	145¾-146¼	146-146¼	120-170c dis	−11.93	330-480dis	−11.11
Spain	133.98-134.20	134.10-134.20	75-100c dis	−7.84	215-255dis	−7.01
Italy	1408-1412½	1411½-1411½	7½-10 lire dis	−7.45	18-21½ dis	−5.60
Norway	7.30¾-7.33	7.32-7.32½	5.15-5.55ore dis	−8.77	15.40-15.80d	−8.52
France	6.69-6.71¼	6.71½-6.71¾	0.85-1.10c dis	−1.75	2.85-3.35dis	−1.85
Sweden	6.89-6.91¼	6.90½-6.91	2.00-2.30ore dis	−3.74	5.90-6.30dis	−3.53
Japan	153.85-155.00	154.90-155.00	0.18-0.13y pm	1.21	0.44-0.39 pm	1.06
Austria	14.38½-14.41½	14.40½-14.41	1⅛-⅞gro pm	0.83	2⅛-1 pm	0.49
Switz.	1.6425-1.6535	1.6515-1.6525	0.27-0.24c pm	1.86	0.71-0.66 pm	1.66

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.90-43.00.

EXCHANGE CROSS RATES

Aug.26	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.484	3.040	229.8	9.963	2.450	3.433	2094.	2.069	62.85
$	0.674	1.	2.500	155.0	6.715	1.652	2.314	1412.	1.394	42.35
DM	0.329	0.488	1.	75.58	3.277	0.806	1.129	688.8	0.680	20.67
YEN	4.353	6.457	13.23	1000.	43.36	10.66	14.94	9114.	9.003	273.5
F Fr.	1.004	1.489	3.051	230.6	10.	2.459	3.446	2102.	2.076	63.09
S Fr.	0.408	0.605	1.241	93.78	4.066	1.	1.401	854.7	0.844	25.65
H Fl.	0.291	0.432	0.886	66.93	2.902	0.714	1.	610.1	0.603	18.31
Lira	0.478	0.708	1.452	109.7	4.756	1.170	1.639	1000.	0.981	30.01
C $	0.483	0.717	1.470	111.1	4.816	1.184	1.659	1012.	1.	30.38
B Fr.	1.592	2.361	4.837	365.6	15.85	3.898	5.461	3332.	3.291	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

August 26	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $(Sing)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: two years 7⅛-7¼ per cent; three years 7½-7⅝ per cent; four years 7¾-7⅞ per cent; five years 7⅞-8 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others two days' notice.

CURRENCY MOVEMENTS

August 26	Bank of England Index	Morgan Guaranty Change %
Sterling	71.1	−21.5
U.S. Dollar	110.8	+2.4
Canadian Dollar	75.9	−13.4
Austrian Schilling	131.3	+8.2
Belgian Franc	96.8	−6.4
Danish Kroner	88.8	+0.3
Deutsche Mark	140.0	+18.0
Swiss Franc	169.2	+23.0
Guilder	129.4	+11.0
French Franc	69.6	−13.8
Lire	47.6	−16.1
Yen	216.6	+60.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

Aug. 26	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.816968	0.692376
US $	5½	1.21091	1.02645
Canadian $	8.65	*	1.43210
Austria Sch	4	—	14.7808
Belgian Fr	8	51.3008	43.4931
Danish Kr	7	9.36639	7.93957
D'mark	3½	2.47667	2.10032
Guilder	4½	2.79539	2.37048
French Fr	9½	8.11673	6.88336
Lira	12	—	1447.80
Yen	3½	186.177	158.432
Norway Kr.	8	8.86628	7.51513
Span'h Pta.	—	162.276	137.595
Swedish Kr.	8	8.36012	7.09019
Swiss Fr	4	1.99497	1.69210
Greek Drch	20½	—	137.934
Irish Punt	—	—	0.763158

*C$/SDR rate for August 21: 1.68388.

OTHER CURRENCIES

Aug. 26	£	$
Arg'tina	1.4670-1.4725	0.9900-0.9930
Aus'alia	2.4356-2.4390	1.6428-1.6445
Brazil	20.40-20.53	13.77-13.84
Finland	7.2685-7.2796	4.9060-4.9080
Greece	197.91-200.31	133.25-135.85
H'kong	11.5680-11.5780	7.8060-7.8080
Iran	113.60*	76.10*
Kuwait	0.4325-0.4335	0.29170-0.29200
Lux'burg	62.80-62.90	42.30-42.40
Malaysia	3.8650-3.8730	2.6085-2.6115
N'Z'land	3.0175-3.0250	2.0355-2.0435
Saudi Ar.	5.5630-5.5680	3.7515-3.7520
Sin'pore	3.1920-3.1970	2.1540-2.1560
S.Af (Cm)	3.8605-3.8925	2.6180-2.6250
S.Af.(Fn)	7.2340-7.6050	4.8780-5.1285
U.A.E.	5.4560-5.4615	3.6725-3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu August 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.4931	+0.88	+0.78	±1.5368
Danish Krone	7.81701	7.93957	+1.57	+1.47	±1.6403
German D-mark	2.11083	2.10032	−0.50	−0.60	±1.1127
French Franc	6.87316	6.88336	+0.15	+0.05	±1.3659
Dutch Guilder	2.37833	2.37048	−0.33	−0.43	±1.5069
Irish Punt	0.764976	0.763158	−0.24	−0.34	±1.6653
Italian Lira	1476.95	1447.80	−1.97	−1.97	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Firmer tone

PRICES HAD a firmer tone on the London International Financial Futures Exchange yesterday, but trading was very quiet, lacking new factors. September long term gilts opened weaker at 121-02, depressed by downward pressure on sterling on the foreign exchanges. The contract fell to a low of 120-31, but then gained ground sharply, to close almost at the day's high, finishing at 121-31, compared with 121-07 on Friday. Dealers commented that at one time the contract was very expensive to cash, and could identify no underlying reason for the rally. It was noted that the September contract becomes deliverable from today, but this did not appear to be a factor in the market. The most likely explanation for the rally seemed to be a bear squeeze by stockjobbers, which was sustained by the steady performance of US bonds, resulting in short covering.

US Treasury bonds for September delivery opened at 101-13, compared with 100-16 on Friday, boosted by a rally in the US on Monday. The high of 101-17 and low of 101-06 were touched during the morning, and the opening of Chicago had little influence. The contract closed at 101-12, with the steady performance encouraged by a cut in US bank prime rates, and speculation about lower West German and Japanese rates.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total: Calls 338, Puts 52. Previous day's open interest: Calls 6,146, Puts 1,681

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total: Calls 15, Puts 24. Previous day's open interest: Calls 457, Puts 773

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last Sept	Oct	Nov	Dec	Puts—Last Sept	Oct	Nov	Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total: Calls 450, Puts 100. Previous day's open interest: Calls 4,284, Puts 5,461

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Sept	Oct	Nov	Dec	Puts—Last Sept	Oct	Nov	Dec
1.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.80
1.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.60
1.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.25
1.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.50
1.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18.70

Previous day's open interest: Calls 4,509, Puts 2,442. Volume: 85

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Sept	Oct	Nov	Dec	Puts—Last Sept	Oct	Nov	Dec
1.30	17.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.35	12.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.40	8.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.45	3.20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.50	0.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.55	0.05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.60	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open interest: Calls 28,014, Puts 36,197. Previous day's volume: Calls 758, Puts 79

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open interest: Calls 1,887, Puts 2,261. Estimated volume: Calls 235, Puts 131

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4835	1.4782	1.4692	1.4565	1.4343

IMM—STERLING $s per £

	Latest	High	Low	Prev
Sept	1.4800	1.4810	1.4760	1.4755
Dec	1.4690	1.4695	1.4635	1.4610
March	1.4545	1.4560	1.4500	1.4485
June	1.4320	—	1.4320	1.4300

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.4805	1.4806	1.4759	1.4900
Dec	1.4665	—	—	1.4760
March	1.4530	—	—	1.4640

Est. Volume 204 (491). Previous day's open int. 1,816 (1,726)

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Basis quote (clean cash price of 13¾% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds).

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Sept	90.39	90.39	90.30	90.38
Dec	90.79	90.79	90.71	90.77
March	90.83	90.83	90.78	90.78
June	90.72	90.70	90.70	90.68
Sept	90.53	90.53	90.44	90.43

Est. Volume 1,621 (2,641). Previous day's open int. 15,106 (15,223)

FT-SE 100 INDEX £25 per full index point

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	162.80
[illegible]	[illegible]	[illegible]	[illegible]	165.75
[illegible]	[illegible]	[illegible]	[illegible]	168.25

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	94.02
[illegible]	[illegible]	[illegible]	[illegible]	94.02
[illegible]	[illegible]	[illegible]	[illegible]	93.95
[illegible]	[illegible]	[illegible]	[illegible]	93.78
[illegible]	[illegible]	[illegible]	[illegible]	93.52
[illegible]	[illegible]	[illegible]	[illegible]	93.24
[illegible]	[illegible]	[illegible]	[illegible]	92.96

Previous day's open int. 21,113

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	100-16
[illegible]	[illegible]	[illegible]	[illegible]	99-30

STERLING INDEX

	Aug 26	Previous
8.30 am	71.0	71.6
9.00 am	70.8	71.6
10.00 am	70.9	71.6
11.00 am	70.8	71.6
Noon	70.9	71.6
1.00 pm	71.0	71.6
2.00 pm	71.0	71.6
3.00 pm	71.0	71.4
4.00 pm	71.1	71.3

MONEY MARKETS

London waits for Bundesbank meeting

LONDON REMAINED calm and quiet yesterday, in spite of continuing speculation that West Germany and Japan will soon respond to last week's cut in the US discount rate. Yesterday's cut of ½ per cent to 7½ per cent in US bank prime lending rates was widely expected and had no impact. Dealers in London commented that the money market would wait until this week's meeting of the West German Bundesbank council, before deciding whether further downward pressure on rates would be appropriate, to again test the Bank of England's view on lower UK interest rates. The German discount rate has remained at 3.5 per cent since early March, in spite of several cuts in the US discount rate to 5.5 per cent from 7.5 per cent during the same period, accompanied by a steady weakening of the dollar.

In dull trading three-month sterling interbank firmed to 9⅞-9⅝ per cent from 9⅞-9¾ per cent.

The Bank of England initially forecast a money market shortage of £300m, but revised this to £250m in the afternoon. Total help amounted to £210m. Before lunch the authorities bought £169m bills outright, by way of £19m bank bills in band 2 at 9⅞ per cent, and £150m bank bills in band 3 at 9⅝ per cent.

In the afternoon another £41m bank bills were purchased in band 3 at 9⅝ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £769m. This outweighed Exchequer transactions adding £185m to liquidity; a fall in the note circulation of £250m; and bank balances above target by £35m.

In Paris call money was fixed unchanged at 7 per cent. It was reported that the Bank of France intends to abolish the daily call rate fix, in a move to a more flexible system, managed by open market intervention. Talks are taking place between the monetary authorities in Paris and the commercial banks, with a view to ending the present system by the end of the year. The fixing is likely to be replaced by a daily indicative rate, published by the central bank at the end of each day's trading.

UK clearing bank base lending rate 10 per cent since May 22

NEW YORK RATES

(Lunchtime)

Prime rate	7½-8
Broker loan rate	6⅞-7
Fed funds	5⅞
Fed funds at intervention	5⅞
Treasury Bills & Bonds	
One month	4.32
Two month	5.19
Three month	5.43
Six month	5.53
One year	5.67
Two year	6.06
Three year	6.21
Four year	6.40
Five year	6.56
Seven year	6.78
10 year	6.99
30 year	7.22

MONEY RATES

August 26	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard Int'v'n
Frankfurt	4.40-4.55	4.45-4.60	4.40-4.55	4.40-4.55	4.40-4.55	5.5
Paris	7	7⅛-7¼	7⅛-7¼	7⅛-7⅜	7-7⅛	7
Zurich	7⅞-1⅛	3⅞-4⅛	—	4⅛-4⅛	—	—
Amsterdam	4⅞-5	5⅞-5⅞	—	5⅞-5⅞	—	—
Tokyo	4.53125	4.84375	—	4.71875	—	—
Milan	11⅞-11¾	11⅞-11⅞	—	11⅞-11⅞	—	—
Brussels	8.55	7⅛-7⅞	—	7⅞-7⅞	—	—
Dublin	8¾-9¼	9¾-10	10¼-10½	10¼-10⅝	10½-10⅝	—

FT LONDON INTERBANK FIXING

(11.00 a.m. August 26)

Three months US dollars		Six months US dollars	
bid 5¾	offer 5⅞	bid 5¾	offer 5⅞

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

August 26	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	5-12⅛	9⅞-10⅛	9⅞-10⅛	9⅞-9⅞	9⅞-9¾	9⅞-9⅞
Sterling CDs	—	—	9⅞-10	9⅞-9⅞	9½-9⅝	9⅞-9⅞
Local Authority Depos	9⅞-10⅛	9⅞-10	9⅞	9⅞	9⅞-9⅞	9⅞-9⅝
Local Authority Bonds	—	—	10⅞	10⅞	9⅞	9⅞
Discount Mkt. Depos	9¼-9¾	9⅞-10	9¾	9½	—	—
Company Depos	10	10	10	9⅞-10	9⅞	9⅞
Finance House Depos	—	—	10	9⅞	9⅞	9⅝
Treasury Bills (Buy)	—	—	9⅞	9⅞	—	—
Bank Bills (Buy)	—	—	9⅞-9⅞	9⅞-9½	9⅞	—
Fine Trade Bills (Buy)	—	—	10⅞	10⅞	9⅞	—
Dollar CDs	—	—	5.80-5.85	5.70-5.75	5.65-5.70	5.80-5.85
SDR Linked Depos	—	—	5⅞-6⅛	5⅞-6⅛	5⅞-6⅛	5⅞-6⅛
ECU Depos	—	—	7⅛-7⅛	7⅛-7⅛	7-7⅛	6⅞-7⅛

Treasury Bills (sell): one month 9⅞ per cent; three months 9⅞ per cent. Bank Bills (sell): one month 9⅞-9⅞ per cent; three months 9⅞ per cent. Treasury Bills: Average tender rate of discount 9.2347 per cent. ECGD Fixed Finance Scheme IV reference date July 2 to August 5 (inclusive): 10.009 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from August 1 1986. Bank Deposit Rates for sums at seven days' notice 4.25-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9¾ per cent; three-six months 9½ per cent; six-nine months 9½ per cent; nine-12 months 9¼ per cent. Under £100,000 9½ per cent from August 21. Deposits held under Series 5 9⅞ per cent. Deposits withdrawn for cash 5½ per cent.

Company Notices

ANGLO AMERICAN INDUSTRIAL CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
Company Registration No. 65/05282/06

5.625 PER CENT CUMULATIVE FIRST PREFERENCE SHARES OF R2 EACH

NOTICE IS HEREBY GIVEN that dividend No. 10 in respect of the abovementioned preference shares for the half-year ending September 30, 1986 has been declared payable to the holders thereof registered in the books of the corporation at the close of business on Friday, September 12, 1986:

Dividend —cents per share	Closure of registers (both days inclusive)	Currency conversion date	Payment date	Posting date of warrants
5.625	13.9.86 to 28.9.86	15.9.86	1.11.86	24.10.86

The dividend is payable subject to conditions which can be inspected at the head and London offices of the corporation and also at the offices of the corporation's United Kingdom transfer secretaries.
Registered shareholders paid from the United Kingdom will receive the UK currency equivalent of the rand value of their dividends (less appropriate taxes), but may elect to be paid in South African currency, provided, however, that any such request is received at the offices of the corporation's United Kingdom transfer secretaries on or before Friday, September 12, 1986.
The effective rate of non-resident shareholders' tax is 15 per cent.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: P. A. ARMSTRONG
Divisional Secretary

Transfer Secretaries:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1AJ

Registered Office:
44 Main Street
Johannesburg 2001
South Africa
London Office:
40 Holborn Viaduct
London EC1P 1AJ

August 26, 1986

U.S. $125,000,000

BANK OF BOSTON CORPORATION
Floating Rate Subordinated Notes Due 1998

Interest Rate	6.05% per annum
Interest Period	26th August 1986 26th November 1986
Interest Amount per U.S. $50,000 Note due 26th November 1986	U.S. $773.06

Credit Suisse First Boston Limited
Agent Bank

J.P. Morgan & Co. Incorporated

DM 400,000,000

Floating Rate Subordinated Notes of 1985/1995

— Stock Index No. 476 966 —

In accordance with § 2 (9) of the Terms and Conditions of the Notes, notice is hereby given that the Rate of Interest has been fixed at 4¾% p.a. for the Interest Period 27th August, 1986 to 27th November, 1986 (92 days). Interest accrued for this Interest Period and payable on 27th November, 1986 will amount to DM 121.39 per DM 10,000 Note and DM 3,034.72 per DM 250,000 Note.

August 1986

Interest Determination Bank:
MORGAN GUARANTY GMBH,
Frankfurt am Main

U.S. $250,000,000

Kingdom of Spain
Floating Rate Notes Due 1997

Interest Rate	6¹⁄₁₆% per annum
Interest Period	27th August 1986 27th February 1987
Interest Amount per U.S. $5,000 Note due 27th February 1987	U.S. $154.93

Credit Suisse First Boston Limited
Agent Bank

Notice to Holders of

Sperry Corporation

4¼% Convertible Subordinated Debentures
Due 1988

THIS IS A NOTICE that is given pursuant to the Indenture, dated as of February 15, 1973, between Sperry Rand Corporation, now Sperry Corporation, a Delaware corporation (the "Company"), and Chemical Bank, a New York corporation, as Trustee (the "Trustee").

The Company is to be party to a merger (the "Merger") expected to occur on or about September 16, 1986 with SP Merger Co. Inc., a wholly owned subsidiary of Burroughs Corporation ("Burroughs"). The Company will be the surviving corporation.

In the Merger, the holders of Common Stock of the Company (other than Burroughs and its wholly owned subsidiaries, the Company and its wholly owned subsidiaries and holders who properly exercise appraisal rights under applicable law) will receive Burroughs securities (and cash, if any, as provided in the Joint Proxy Statement-Prospectus) for their shares of Common Stock of the Company.

Following the Merger, the holders of the Company's 4¼% Convertible Subordinated Debentures Due 1988 will have the right to convert each $1,000 in aggregate principal amount thereof into $594.17 principal amount of Burroughs 9¾% Subordinated Debentures Due 1996 ("Subordinated Debentures") and 17.83 shares of Burroughs Series A Cumulative Convertible Preferred Stock ("Convertible Preferred Stock"), provided that (i) Burroughs may elect to substitute cash for some or all of the Subordinated Debentures or Convertible Preferred Stock on the basis of a dollar of cash for each dollar either of principal amount of the Subordinated Debentures or $50.00 per share face amount of the Convertible Preferred Stock, (ii) Burroughs may elect to substitute cash on the same basis for Subordinated Debentures which would be issued in denominations of less than $1,000 and (iii) cash will be paid in lieu of fractional shares of Convertible Preferred Stock based on the $50.00 per share face amount thereof. If either or both elections (i) and (ii) are made, public announcement thereof will be made no later than five business days before the Special Meeting of the Stockholders of the Company to approve the Merger that has been called for September 16, 1986.

Copies of the Joint Proxy Statement-Prospectus may be obtained from the Secretary of Sperry Corporation, 1290 Avenue of the Americas, New York, N.Y., 10104.

August 27, 1986

Sperry Corporation
By: Chemical Bank, Trustee

The Chase Manhattan Corporation
U.S. $175,000,000
Floating Rate Subordinated Notes due 1997

Notice is hereby given that the Rate of Interest has been fixed at 6³⁄₁₆% and that the interest payable on the relevant Interest Payment Date November 28, 1986 against Coupon No. 4 in respect of US$10,000 nominal of the Notes will be US$159.84.

August 27, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

LONDON SHARE SERVICE

BRITISH FUNDS

1985 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102½	100¼	Exch. 14pc 1986	100¼	...	13.92	10.12
96⅞	94⅞	Exch. 2½pc 1986	98	−⅛	2.54	9.71
102	100¼	Exch. 13¼pc 1987	101	−⅛	13.08	9.55
100⅞	97	Treas 10¼pcCv '87	100	−⅛	10.23	9.58
97	92	Exch 2½pc 1987	97¾	...	2.56	7.18
101¾	97½	Exch. 10½pc 1987	100	−⅛	10.47	9.72
98⅝	93⅝	Funding 6½pc '85-87‡‡	98		6.59	8.77
101¾	96	Treas. 10pc 1987	100	−⅛	9.97	9.46
97	90⅞	Treas 3pc 1987	96	+⅛	3.09	7.09
104½	99⅞	Treas. 12pc 1987	102	−⅛	11.70	9.53
99¼	92	Treas 7¼pc 1985-88‡‡	98⅛	...	7.90	9.15
104	96¼	Exch 10½pc '88	101⅝	−⅛	10.32	9.35
102⅞	95⅛	Treas 9¾pc Cv '88	100½	...	9.71	9.41
94¼	86⅝	Transport 3pc '78-88	92⅞	...	3.23	7.18
102½	93	Treas. 9½pc '88	100	.....	9.49	9.44
107	98	Treas 11½pc 1989	104⅝	...	10.98	9.32
103½	93⅝	Treas 9½pc Cnv '89	100	+⅛	9.46	9.28
92⅞	82	Treas 3pc 1989	89⅝	+⅛	3.34	7.27
105	95	Treas 10½pc 1989	102⅝	.....	10.23	9.39
104	94¼	Exch.10pc 1989	101	.....	9.86	9.42
107	97	Exch 11pc 1989	104	.....	10.54	9.38
93	84½	Treas 5pc 1986-89	91	....	5.50	8.31
110	94⅝	Exch 10¼pcCv '89	105¼	...	9.73	8.28
114	103	Treas 13pc 1990‡‡	110	+⅛	11.74	9.22
108¼	97¼	Exch 11pc 1990‡‡	104	....	10.48	9.28
113¼	101	Exch. 12½pc 1990	109⅝	....	11.40	9.30
89¼	79⅝	Treas. 3pc 1990	86⅛	...	3.48	7.35
100	89¼	Treas 8¼pc 1987-90‡‡	97⅞	−⅛	8.43	8.91
106	93	Treas 10pcCv 1990	102	+⅛	9.77	9.30
86	76½	Exch 2½pc 1990	83½	−⅛	3.01	7.07
112	99	Treas 11¾pc 1991	108½	+⅛	10.83	9.30
94¼	83	Funding 5¾pc '87-91‡‡	91¼	.	6.31	8.09
86⅛	82⅞	Treas. 3pc 1991●	83	−⅛	3.63	7.32
		Five to Fifteen Years				
110⅝	96	Exch. 11pc 1991	106¾	+¼	10.30	9.31
118¾	103⅝	Treas 12¾pc 1992‡‡	113⅞	+¼	11.20	9.40
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	59	.....	Fin. 13% 97/02	£106½	−5½
Craig & Rose £1	£13½	.....	Arnotts	305	.....
Finlay Pkg. 5p	43	−½	CPI Hldgs	45	.....
Holt (Jos) 25p	805	−5	Carroll Inds.	135	−5
IoM Stm. £1	73	.....	Dublin Gas	30	.....
			Hall (R. & H.)	74	.....
IRISH			Heiton Hldgs.	27	−3
Fund 11¼% 1988	£101¼	−⅛	Irish Ropes	98	.....
Nat. 9¾% 84/89	£98	.....	Unidare	225	.....

"Recent Issues" and "Rights" Page 23
(International Edition Page 19)

LONDON STOCK EXCHANGE

Investors cling to hopes of lower UK base lending rates

Account Dealing Dates

Option First Dealings	Last Dealings	Last Declaration	For Settlement
Aug 18	Sept 5	Nov 20	Dec 1
Sept 8	Sept 19	Dec 4	Dec 15
Sept 22	Oct 3	Dec 18	Dec 29

For rate indications see end of Unit Trust Service

*First Dealings	Declarations	Last Dealings	Account Day
Aug 11	Aug 28	Aug 29	Sept 8
Sept 1	Sept 11	Sept 12	Sept 22
Sept 15	Sept 25	Sept 26	Oct 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

Investors continued to hope for lower UK base rates yesterday when London markets reopened for business after Monday's holiday. Seasonal considerations — many fund managers were still away—affected interest but after early indecision both share and bond prices edged higher.

Widespread coverage of the UK authorities' unwillingness to sanction a move towards cheaper money while the trend of sterling remains uncertain was an early obstacle. The news overshadowed Monday's surge in Tokyo and the strong tone on West German bourses.

Speculation that the West German Bundesbank would announce a reduction in the Discount rate at tomorrow's meeting intensified as the D-mark continued its ascendancy. Sterling traded nervously, and near-term rates for credit were a touch harder in London, but financial markets took the view that UK interest rates would fall, although not until next month.

Gilt-edged buyers were deterred by slightly lower opening values, which resulted from a closer assessment of Friday's late funding. The Bank of England issued £500m of stock spread over the maturity range in three tranches comprising Exchequer 11 per cent 1990, Conversion 10 per cent 1996 and Treasury 9¾ per cent 2002.

Scant notice was taken of favourable Press advice until Gilt futures began to improve and the exchange rate steadied after an early fall. Investors were then quick to respond and longer-dated issues regained early losses in a market which was probably oversold to close with gains extending to ¾ on the session. Index-linked stocks were unchanged, despite a strong "buy" recommendation.

Reflecting Wall Street's dull tone overnight, leading shares also started the day a penny or two cheaper. The Oil majors were exceptions and progressed throughout on renewed US demand. British Petroleum attained a new high for the year, closing 14 up at 657p; the group initiated another petrol price rise yesterday of 5p per gallon and is due to announce the second-quarter results tomorrow.

Before midday other blue chips tagged behind the movement and the FT indices eventually went higher. The FT Ordinary share index settled a net 5.4 up at 1,276.6, after 1,270.0, while its sister index, the FT-SE 100 shares, closed 9.1 higher at 1,616.2.

Irish banks dull

Irish banks encountered nervous offerings with Allied Irish and Bank of Ireland both down 12 at 218p and 188p respectively. Elsewhere in the banking sector, Standard Chartered drifted off to close 4 cheaper at 708p as the group's managing director rejected Press reports that Westpac is planning a bid for the company.

The Insurance sector gave another outstanding performance with Composites well to the fore ahead of interim trading statements from GRE and Sun Alliance, both of which are expected on September 3. GRE attracted persistent support and closed 16 higher at the day's best of 860p, while SA gained a like amount to 710p. Royals were also a good market at 847p, up 15, while Commercial Union hardened a couple of pence to 305p. Life issues also made progress with Legal and General 5 dearer at 265p and Abbey Life 3 up at 191p. Prudential rose 8 to 868p and Refuge 14 to 397p, the latter in a restricted market. Pearl were steady at £14¾ awaiting today's interim figures. Lloyds brokers went higher helped by currency influences. C. E. Heath rose 13 to 487p, while Willis Faber moved up 10 to 425p.

Movements in the Building sector were usually confined to a few pence either way, but John Laing were a dull feature at 413p, down 11, after 407p, on reports of persistent small sales relating to the group's share option scheme. Taylor Woodrow touched 343p following the slightly better-than-expected interim results before drifting back to close unchanged at 332p. Blue Circle were a shade cheaper at 553p awaiting today's half-timer, but Tarmac edged up 4 to 478p and BPB Industries improved 5 to 500p.

A quiet Chemical sector showed ICI ¼ better at £10¼. Foseco picked up 5 at 235p and Brent hardened a penny at 145p. Sutcliffe Speakman were quoted at 54p ex rights; the nil paid units opened at 10p premium and moved up to 14p premium.

Stores quietly firm

Quietly firm conditions prevailed in leading Retailers. Burton, depressed last Friday by rumours of further resignations from its Welbeck subsidiary, rallied 4 to 304p, while similar gains were made by Storehouse, 340p, and Woolworth, 660p. Elsewhere, Ratners hardened the turn to 199p following confirmation that Mr Antony Edgar has resigned from the Board and is to be replaced as chairman by chief executive Mr Gerald Ratner. Freemans attracted fresh interest and put on 8 to 450p, while newsletter comment lifted Blanchards a few pence to 122p. William Bedford hardened 3 to 76p following the interim statement, but I. J. Dewhirst, also reporting mid-term figures, eased 2 to 84p.

Electricals recorded several noteworthy movements. Revived talk of a stake build up left Chloride 5 to the good at 54p, while satisfactory interim figures prompted a gain of a couple of pence to 70p, after 75p, in BSR. Emess Lighting responded to the final dividend and profits forecast which accompanied the interim figures by rising 8 to 288p, but Cambridge Electronic dipped 12 to 200p on the disappointing half-year results. Press mention prompted a gain of 3 to 17p in Bulgin, while continued buying on recovery hopes lifted Stone International 6 further to 168p. Late speculative support left MK 5 higher at 373p. Domino rose 10 to 320p and First Security closed 7 to the good at 182p. Leading issues ended the day on a relatively bright note. BICC put on 5 to 275p and British Telecom settled 4 firmer at 196p, while GEC hardened a couple of pence to 186p.

Leading Engineers were inclined harder. Vickers, helped by weekend Press mention, put on 7 to 405p, while Hawker edged up a couple of pence to 493p. Elsewhere, persistent demand amid revived takeover talk prompted a rise of 14 to 108p in Whessoe. Newspaper comment ahead of the interim figures due next week stimulated fresh interest in Babcock which put on 6 to 190p, while ML Holdings hardened a couple of pence to 400p on acquisition news.

Cadbury Schweppes were a relatively lively market amid unconfirmed reports that the company had acquired a stake in US drinks concern Dr Pepper and the price fluctuated between 168p and 171p prior to closing a penny dearer on balance at 170p. Rowntree Mackintosh, however, encountered scrappy selling and settled 8 off at 375p. Among other Food Manufacturers, United Biscuits slipped a couple of pence to 238p and Ranks Hovis McDougall softened a penny to 258p. Unigate, however, edged up 3 to 280p, while Iceland Frozen Foods, with interim results due next month, rose 9 to 522p. Bernard Matthews bid hopes boosted Meadow Farm 15 to 275p, while Press comment helped Freshbake add 3 to 96p.

Buying ahead of tomorrow's interim figures lifted Ladbroke 6 to 353p, while newspaper comment stimulated Queens Moat Houses, 2½ dearer at 77½p and President Entertainments, 10 higher at 126p.

Glaxo improve

Movements in the miscellaneous industrial leaders rarely exceeded a few pence either way, but Glaxo managed a gain of 5 at 955p in response to news of the launch of its new antibiotic in Japan. Elsewhere, London and Midland Industrials rose 7 to 220p on the possible bid from Williams Holdings; the latter improved 5 to 650p following the interim statement and final dividend forecast. Newsletter comment left Reed Executive 15 to the good at 383p, while others to move ahead for a similar reason included Noble and Lund, 126p, Cannon Street Investments, 139p, and Marling Industries, 165p, all around 4 higher. CVD responded to the increased interim dividend and profits by rising 10 to 175p. Buying ahead of the Farnborough Air Show prompted a gain of 13 to 511p in British Aerospace while Consultants (Computer and Financial) hardened a penny to 113p following acquisition details. Buying interest was shown in USM quoted Worcester which advanced 15 to 195p.

Among Leisure issues, Press comment stimulated a lively business in Juliana's which touched 51p prior to closing a net 4 up at 48p, while a newsletter recommendation helped Miss World rise 10 to 185p.

Publishers made modest headway, where changed. Gains of around 5 were common to Associated Newspapers, 323p, EMAP "A," 136p, and Home Counties, 230p: the last-mentioned is scheduled to announce interim results during the next Trading Account. Paper/Printings were irregular. McCorquodale hardened a few pence to 223p, but BPCC, 275p, and Ault and Wiborg, 45p, both shed 3, the latter still awaiting further details regarding the possible sale of its printing inks division to Japanese concern Dainippon. Advertising and related issues went better with Saatchi and Saatchi rallying 20 to 735p. Press comment lifted WCRS 8 to 475p, while the increased interim profits and dividend buoyed Aspen Communications, finally 4 dearer at 332p.

Property leaders continued to trade quietly and settled a shade lower in places. Land Securities softened a penny to 322p and MEPC cheapened 3 to 330p. Slough Estates also shed 3, to 164p, but Greycoat, currently bidding for Property Holding and Investment, attracted occasional buying interest and firmed 6 to 248p. Elsewhere, Press comment boosted Trencherwood 15 to 460p, while revived demand in a restricted market lifted I. D. and S. Rivlin 20 to 170p. Buyers returned for Merivale Moore which rose 10 to 215p, while a newsletter recommendation stimulated Parkdale which touched 87p prior to closing 4 higher at 84p. Recent high flyer Wingate, which has risen from the 130p level since the news of 150p per share offer and proposed cash injection from Chase Corporation of New Zealand, eased 30 to 410p in the absence of further buying interest.

Textiles rarely strayed from pre-weekend positions. Lamont, however, were outstanding and advanced 19 to 176p reflecting persistent speculative attention; the interim figures are expected during the next month. In contrast, the lack of bid developments prompted profit-taking in Victoria Carpet, 6 off at 120p.

Bats, a firm market of late, encountered sporadic offerings and dipped 5 to 410p; the interim figures are scheduled for September 10. Rothmans International hardened a couple of pence to 162p following annual results from its Malaysian subsidiary.

Investment Trusts made fresh headway amid persistent hopes of further rationalisation of the sector in the wake of BPCC's successful bid for Philip Hill. First Scottish American improved 9 to 325p following the first-half figures. Financials also went better under the lead of Mercantile House, finally 17 dearer at 287p. International City put on 6 to 173p, while Britannia Arrow, scheduled to reveal interim figures tomorrow, hardened a few pence to 149p. Revived bid chatter lifted Argyle Trust 7 to 51p; Abaco Investments and Guinness Peat were mentioned as possible suitors. Sharply higher mid-term profits aided Templeton Galbraith and Hansberger which finished 8 to the good at 213p. Revived speculative interest saw Kellock Trust another 8 dearer at a year's peak of 86p, while NMC Investments, where the Saatchi brothers hold 14.26 per cent of the equity apiece, put on a couple of pence to 147p.

Buying interest in the oil sector was almost exclusively reserved for the two leaders—BP and Shell—with much of the demand said to have emanated from the US. Firm spot oil prices, news that BP had triggered another round of domestic petrol price increases and optimism over the second-quarter results scheduled for Thursday lifted BP 14 to a 1986 high of 657p. Shell rose a further 18 to a year's best of 903p while Royal Dutch added £1 at £59½. Britoil and LASMO attracted persistent small buying and moved up 5 apiece to 133p and 130p respectively while Enterprise Oil edged up 3 to 132p. Takeover speculation continued to boost IC Gas which settled a net 6 firmer at 448p. Elsewhere, Press comment failed to sustain Century Oil, a strong market last week, which eased a couple of pence to 138p. Bristol Oil and Minerals put on 1½ to 17p following the sale of the company's interests in the Dutch sector of the North Sea for £2.6m. Speculative buying saw Triton Europe close a further 4 better at 127p and left Caledonian Offshore 10 to the good at 95p.

The prospect of lower interest rates in Europe and Japan, and continuing concern over possible interruptions to supplies of gold and platinum, gave a further boost to precious metals and triggered a general advance by South African mining issues. The latter were additionally helped by a firm showing by the Financial Rand which was trading around 20 cents towards the close of business in London.

Bullion, which fell sharply late on Friday before picking up strongly in the US on Monday, was finally a net $0.5 lower at $382.375 an oz while platinum prices also made progress. Demand for Golds emanated mainly from Johannesburg but was accompanied by support from a number of Continental operators. Although closing a shade below the day's best, gains in the sector were sufficient to lift the Gold Mines index 10.1 to 246.0—its best level since mid-May. Heavyweights were specially buoyant with Vaal Reefs settling £2¾ up at £43⅞, OFSIL £2 better at £16¾, and Randfontein a point higher at £48¾. South African Financials were equally impressive. De Beers extended their recent rally and moved up 12 more to 440p, "Amgold," aggressively bought by Johannesburg dealers, rose £1¾ to £44½, and "Amcoal" raced ahead to end the session 50 firmer at 450p. "Johnnies," awaiting the chairman's annual statement, jumped £4 to £66.

Firm metal prices also prompted good support for Australians, with gold producers well to the fore. Barrack Mines and Gold Mines of Kalgoorlie put on 10 apiece at 255p and 460p respectively, as did Metana, 150p.

Traded Options

Despite relatively uninspiring conditions among underlying securities, demand for Traded Options remained reasonably buoyant. Total contracts struck amounted to 16,136 comprising 9,436 calls and 6,700 puts. Another lively and evenly-balanced turnover was noted for Lonrho which attracted 628 calls and 1,341 puts, while ICI also returned to favour and contributed 136 calls and 1,392 puts, most of the latter being transacted in the October 1,000's.

FINANCIAL TIMES STOCK INDICES

	Aug 26	Aug 22	Aug 21	Aug 20	Aug 19	Year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	89.74	89.54	89.85	89.93	89.62	83.60	94.51 (28/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.48	95.72	95.81	95.83	95.54	88.59	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,276.6	1,271.2	1,267.1	1,268.4	1,268.8	990.1	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	246.0	235.9	226.9	222.5	219.0	306.3	357.0 (27/2)	185.7 (10/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.33	4.35	4.37	4.37	4.37	4.75				
Earnings Yld.%(full)	10.47	10.52	10.55	10.56	10.55	11.76				
P/E Ratio (net) (*)	11.64	11.59	11.56	11.55	11.56	10.53				
Total Bargains (Est.)	19,975	20,864	20,734	20,731	20,851	20,246				
Equity Turnover £m.	—	451.04	671.97	679.27	525.47	245.98				
Equity Bargains	—	16,348	18,535	19,934	19,578	18,361				
Shares Traded (ml).	—	201.6	504.4	481.8	228.2	123.8				

S.E. ACTIVITY

Indices	Aug 22	Aug 21
Gilt Edged Bargains	85.5	123.7
Equity Bargains	155.9	130.1
Equity Value	911.7	1358.2
5-Day Average		
Gilt Edged Bargains	118.3	124.6
Equity Bargains	122.0	126.2
Equity Value	1133.4	1253.3

♥ Opening 1270.8 | 10 a.m. 1270.8 | 11 a.m. 1271.1 | Noon 1273.0 | 1 p.m. 1273.0 | 2 p.m. 1272.7 | 3 p.m. 1272.9 | 4 p.m. 1274.4

Day's High 1276.6. Day's Low 1270.0.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.21.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues Aug 26 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Fri Aug 22 Index No.	Thurs Aug 21 Index No.	Weds Aug 20 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (213)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (61)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (182)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Publishing & Printing (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Packaging and Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (88)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Miscellaneous (49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (117)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (101)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (734)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	Year ago
FT-SE 100 SHARE INDEX ♦	1616.2	+9.1	1616.2	1606.4	1607.1	1606.8	1604.6	1604.4	1609.0	[illegible]

FIXED INTEREST

PRICE INDICES	Tues August 26	Day's change %	Fri August 22	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	122.79	+0.02	123.07	0.31	7.45
2 5-15 years	141.44	+0.25	141.27	0.39	9.17
3 Over 15 years	149.60	+0.29	149.17	—	9.65
4 Irredeemables	164.73	+0.35	165.42	1.28	8.53
5 All stocks	137.72	+0.19	137.67	0.21	8.64
Index-Linked					
6 5 years	113.31	+0.16	113.95	0.82	2.80
7 Over 5 years	115.99	-0.01	115.99	—	2.16
8 All stocks	115.48	+0.02	115.60	0.14	2.29
9 Debentures & Loans	120.69	+0.03	120.65	—	6.69
10 Preference	85.60	+0.12	85.49	—	3.79

AVERAGE GROSS REDEMPTION YIELDS		Tues August 26	Fri August 22	Year ago (approx.)
British Government				
1 Low Coupons	5 years	8.28	8.29	9.97
2	15 years	9.11	9.15	10.14
3	25 years	9.14	9.18	10.35
4 Medium Coupons	5 years	9.43	9.43	10.72
5	15 years	9.50	9.50	10.52
6	25 years	9.36	9.38	[illegible]
7 High Coupons	5 years	9.53	9.56	10.81
8	15 years	9.68	9.68	[illegible]
9	25 years	9.42	9.44	10.52
10 Irredeemables		9.14	9.17	9.76
Index-Linked				
11 Inflation rate 5%	5 yrs	3.48	3.54	[illegible]
12 Inflation rate 5%	Over 5 yrs	3.49	3.48	[illegible]
13 Inflation rate 10%	5 yrs	2.16	2.22	[illegible]
14 Inflation rate 10%	Over 5 yrs	3.32	3.32	[illegible]
15 Debs & Loans	5 years	10.10	10.21	11.42
16	15 years	10.33	10.38	11.32
17	25 years	10.33	10.34	11.25
18 Preference		10.79	10.79	[illegible]

♦Opening index 1606.4; 10 am 1607.8; 11 am 1609.1; Noon 1610.6; 1 pm 1611.3; 2 pm 1611.3; 3 pm 1611.7; 3.30 pm 1613.4; 4 pm 1613.8

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (83)

AMERICANS (7) American Cyanamid, Houston Inds. Inc., IC Inds., Pacific Corp., Southwestern Bell, Sperry Corp., Sun Co. Inc. CANADIANS (2) American Barrick Res., Brascan. BANKS (2) Commerzbank, Wells Fargo. BUILDINGS (3) Attwoods, Higgs and Hill, Manders. CHEMICALS (3) Engelhard, Plysu, Schering AG. STORES (2) Pepes, Ward White Grv.Red.Prf. ELECTRICALS (7) Borland Intnl. Inc., Checkpoint Europe, Fujitsu, MMT Computing, Metro 4, NEC Corp., Toshiba Corp. ENGINEERING (1) Greenbank Group. FOODS (3) BSN, Dalepak Foods, Meadow Farm Produce. INDUSTRIALS (10) Aumasc, Bridport-Gundry, Cannon Street Invs., Coated Electrodes, Continuous Stationery, Maimet, Peerless, Sidlaw, [illegible]. INSURANCE (2) Allianz AG, Marsh and McLennan. NEWSPAPERS (1) Emap A. PAPER (2) Sterling Publishing, Thorpac. PROPERTY (3) CALA, London Shop. Prop., Merivale Moore. TRUSTS (26) OILS (7) British Petroleum, ELF UK 12½pcLn, Imperial Cont. Gas, Petrofina SA, Royal Dutch, Shell Trans., Total-Compagnie Fr.Pet.B. OVERSEAS TRADERS (1) Inchcape. PLANTATIONS (1) Assam-Dooars. MINES (2) Metals Explon., Metana Minerals.

NEW LOWS (19)

BUILDINGS (1) Burnett and Hallamshire. CHEMICALS (1) Scottish Agric. Inds. STORES (1) Gee-Rosen. ELECTRICALS (6) CPU Computers, Magnetic Materials, Murray Tech. Invs., Powerline Intl. INDUSTRIALS (6) Brammer, Brown and Tawse, Equipu, Pevion Intnl., Do 11pcConv.Ln. '94-02, Rogner. SHIPPING (1) Sea Containers. TRUSTS (1) Baillie Gifford Tech. OILS (2) AmBrit Intl. R/V, New Court Natural Res. MINES (2) Anglo United Dev., Colby Resources.

BASE LENDING RATES

	%
ABN Bank	10
Allied Arab Bank Ltd	10
Allied Dunbar & Co	10
Allied Irish Bank	10
American Express Bk.	10
Amro Bank	10
Henry Ansbacher	10
Associates Cap Corp	10
Banco de Bilbao	10
Bank Hapoalim	10
Bank Leumi (UK)	10
Bank Credit & Comm.	10
Bank of Cyprus	10
Bank of Ireland	10
Bank of India	10
Bank of Scotland	10
Banque Belge Ltd	10
Barclays Bank	10
Benchmark Trust Ltd	10
Beneficial Trust Ltd	11
Berliner Bank AG	10
Brit. Bk. of Mid. East	10
● Brown Shipley	10
CL Bank Nederland	10
Canada Permanent	10
Cayzer Ltd	10
Cedar Holdings	10
● Charterhouse Bank	10
Citibank NA	10
Citibank Savings	¶10¼
City Merchants Bank	10
Clydesdale Bank	10
Comm. Bk. N. East	10
Consolidated Credits	10
Continental Trust Ltd	10
Co-operative Bank	*10
The Cyprus Popular Bk	10
Duncan Lawrie	10
E. T. Trust	10½
Equatorial Tst Corp. plc	11
Exeter Trust Ltd	10½
Financial & Gen. Sec.	10
First Nat. Fin. Corp	11
First Nat. Sec. Ltd	11
● Robert Fleming & Co	10
Robert Fraser & Ptrs	11
Grindlays Bank	‡10
● Guinness Mahon	10
● Hambros Bank	10
Heritable & Gen. Trust	10
● Hill Samuel	§10
C. Hoare & Co	‡10
Hongkong & Shanghai	10
Knowsley & Co. Ltd	10½
Lloyds Bank	10
Mase Westpac Ltd	10
Meghraj & Sons Ltd	10
Midland Bank	10
● Morgan Grenfell	10
Mount Credit Corp. Ltd	10
National Bk. of Kuwait	10
National Girobank	10
National Westminster	10
Northern Bank Ltd	10
Norwich Gen. Trust	10
PK Finans. Intl (UK)	10½
Provincial Trust Ltd	11
R. Raphael & Sons	10
Roxburghe Guarantee	10½
Royal Bank of Scotland	10
Royal Trust Co. Canada	10
Standard Chartered	10
Trustee Savings Bank	10
UDT Mortgage Express	¶10.9
United Bank of Kuwait	10
United Mizrahi Bank	10
Westpac Banking Corp	10
Whiteaway Laidlaw	10½
Yorkshire Bank	10

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.05%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 46,905

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

Call options were taken out in Stroud Riley Drummond, Consolidated Gold Fields, Camford Engineering, Freshbake Foods, Noble and Lund, Cannon Street Investments, Blanchards, Bristol Oil and Minerals, Metal Closures, Kia Ora, Goode Durrant and Murray, TV-am, Raine Industries, Armour Trust, Ransomes Sims and Jefferies, Abaco Investments, Parkdale, Ferranti, BSR, Benlox, Turner and Newall, Property Trust, Vaal Reefs, Eagles Property Trust and United Scientific. A put was taken out in Combined Leasing Finance. No doubles were reported.

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Fri. close	Day's change	Stock	No. of changes	Fri. close	Day's change
BP	13	643	+8	HK&Shang. Bk.	11	80	—
Cons. Gld. Flds.	13	482	+8	Thorn EMI	11	491	—
Glaxo	13	950	-10	ASDA-MFI	10	146	+2
Arcolectric 'A'	12	50	+10	Arhoil	10	128	[illegible]
Grand Met.	12	386	+6	ICI	10	1010	—
Cable & Wire.	12	329	-14	Royal Insce.	10	832	+13

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Argyle Trust	51	+7	Laing (J.)	413	-11
Cambridge Elect.	200	-12	Pres. Entertainments	126	+10
Heath (C.E.)	487	+13	Scope	265	-10
ICI	£10¼	+¼	Sutcliffe Speakman	54xr	+1
Jaguar	488	+3	Taylor Woodrow	332	—
Juliana's	48	+4	Whessoe	108	+14

LONDON TRADED OPTIONS

Option	Calls	Puts
Allied Lyons	[illegible]	[illegible]
B.P.	[illegible]	[illegible]
Cons. Gold	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]
Com. Union	[illegible]	[illegible]
Cable & Wire	[illegible]	[illegible]
Distillers	[illegible]	[illegible]
G.E.C.	[illegible]	[illegible]
Grand Met.	[illegible]	[illegible]
I.C.I.	[illegible]	[illegible]
Land Sec.	[illegible]	[illegible]
Marks & Spen.	[illegible]	[illegible]
Shell Trans.	[illegible]	[illegible]
Trafalgar House	[illegible]	[illegible]
Midland Bk.	[illegible]	[illegible]
P. & O.	[illegible]	[illegible]
Racal	[illegible]	[illegible]
R.T.Z.	[illegible]	[illegible]
Vaal Reefs	[illegible]	[illegible]
Tr. 11¾% 1991	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]
Glaxo	[illegible]	[illegible]
FT-SE Index	[illegible]	[illegible]

August 26. Total Contracts 16,136. Calls 9,436. Puts 6,700.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLAND

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices August 26

[illegible]

MONTREAL

Closing prices August 26

[illegible]

Indices

NEW YORK

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

Advances 1,860   Declines 562

TORONTO	Aug 26	Aug 25	Aug 22	Aug 21	1986 High	1986 Low
Metals & Minls	2,046.58	2,022.8	2,014.7	2,024.18	2,442.85 (21/3)	1,817.4 (5/8)
Composite	3,036.30	3,017.3	3,015.7	3,020.8	3,129.11 (18/4)	2,754.8 (17/2)
MONTREAL Portfolio	1,521.23	1,505.07	1,505.19	1,507.48	1,823.33 (18/4)	1,386.6 (22/1)

* Indicates pre-close figure

[illegible]

** Saturday August 23: Japan Nikkei 18132.83. TSE 1508.82

Base value of all Indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES		
Tr 7¾% '12–15	£86¾	+ ¾
Argyle Trust	51	+ 7
Babcock Int	190	+ 6
BAs	511	+13
BP	567	+14
Britoil	133	+ 5
CVD Inc	175	+10
Caledonian Off	95	+10
Emess Lighting	288	+ 8
GRE	860	+16
Heath (CE)	487	+13
Iceland Frozen	522	+ 9
Lamont Hldgs	176	+19
London & Midland	220	+ 7
Meadow Farm Pr.	275	+15
Pres Entertain	126	+10
Reed Executive	383	+15
Royal Ins	847	+15
Shell Trans	903	+18
Stone Intl	188	+ 6
Sun Alliance	710	+16
Templeton Galb	213	+ 8
Whessoe	108	+14

FALLS		
Allied Irish Banks	218	−12
Bank of Ireland	188	−12
Cambridge Elect	200	−12
Laing (John)	413	−11

Amsterdam resists the lower trend

Continued from Page 30

demand which has been in evidence this month.

Petrofina led the downturn with its BFr 140 drop to BFr 8,850 although volume remained thin.

Metals resisted the bearish sentiment as Vieille Montagne rose BFr 60 to BFr 5,950 and Asturienne added BFr 14 to BFr 1,074.

Among chemicals, UCB – linked with possible takeover rumours on Monday – dropped a fresh BFr 130 to BFr 8,900 while Solvay gave up BFr 60 to BFr 7,870.

Pan Holding held steady at BFr 11,300 while tourism group Wagons Lits also moved against the trend with its BFr 20 advance to BFr 6,000.

Banks, which underpinned much of the recent rally, were mixed. Kredietbank sprinted BFr 200 higher to BFr 16,975 and Royale Belge was unchanged at BFr 28,000.

Frankfurt reversed all of Monday's gains as profit-takers moved in on banks and machinery makers. The Commerzbank index retreated 11.5 to 2,090.7.

Deutsche Bank closed DM 7 cheaper at DM 843 while Commerzbank, which is to increase its stake in the Sachs engineering group, finished the session DM 6.30 down at DM 343.20.

Leading machinery group Linde suffered a DM 18 drop to DM 757 followed by a brisk DM 7 markdown for MAN at DM 225. KHD resisted the worst of the technical pressure with its DM 1.50 decline to DM 216.50.

A lack of foreign buying drove the car sector lower. Daimler, firm on Monday, lost DM 14 to DM 1,301 while VW dropped DM 8 to DM 504. Porsche stood out against the trend again with its DM 19 rally to DM 1,089.

Bayer lost DM 3.90 to DM 304.10 as it announced a modest gain in first-half profit. BASF, in talks with Siemens over a computer joint venture, gave up DM 5.30 to DM 268.20. Siemens dropped DM 5.90 to DM 703.60.

Varta picked up DM 1 to DM 361 despite a small decline in six-month group sales.

Bonds were firm ahead of the Bundesbank policy meeting with isolated gains of up to 25 basis points. The central bank sold DM 45.1m worth of paper after selling DM 32.5m on Monday.

The federal loan consortium will meet on Friday to set the term of the new domestic government bond. Some uncertainty persists, due to tomorrow's Bundesbank meeting, but dealers expect 5½ per cent 10-year paper with the issue price tied to the outcome of the central bank's meeting.

Stockholm eased. Banks and forestry related issues encountered relatively heavy profit-taking pressure. MoDo managed a SKr 5 rise to SKr 300 while SCA held steady at SKr 285.

Trading in Fermenta remained suspended as negotiations continue with Montedison of Italy over the takeover of the group. Fermenta last traded on Monday at SKr 142.

Pharmacia dipped SKr 1 to SKr 217. Aga, reporting stronger first-half profits after the close of trading, lost SKr 11 to SKr 197. Volvo was actively traded SKr 2 down to SKr 404 while Ericsson, due to report tomorrow, lost SKr 3 to SKr 228.

Milan lost more ground to profit-takers. Montedison closed L140 down at L3.550, Fiat fell L300 to L15,700 and Olivetti dropped L200 to L17,900.

Paris firmed despite the weaker overnight tone on Wall Street while **Madrid** retreated from its peak as utilities and telecommunications dropped sharply.

Zurich finished mixed in thin trading.

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 29

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13¾	AAR s	.44	1.9	19	409	23⅝	23	23	−¼
30	21¾	ADT	.92	3.8		162	24⅛	24	24⅛	−⅛
33	11½	AFG s	.08i	.3	17	549	31	30⅜	30½	+⅛
25⅝	13¾	AGS			13	529	18½	18¼	18½	
15	9⅞	AMCA			250	6	10⅛	10⅛	10⅛	−¼
60⅞	37½	AMR			14	2758	56⅞	55⅝	56⅝	+¼
27½	23¼	ANR pf2.67		10		1	26	26	26	+½
12½	8½	APL			6	18	11¼	11¼	11¼	−¼
16¾	10	ARX	.71t	6.2	11	80	11⅝	11⅜	11⅜	−¼
40⅞	28¾	ASA	2a	6.1		429	33¼	32½	33	
18⅝	9¾	AVX			27	120	11¾	11½	11¾	+⅛
32	22⅝	AZP	2.72	8.6	9	3186	32	31⅛	31¾	+⅝
56	26⅜	AbtLb s	.84	1.7	23	4661	50½	48¾	50⅛	+1¼
32	19⅝	AccoWd	.56	2.1	18	122	27¼	27	27⅛	
14⅞	9	AcmeC	.40	3.8		75	10¾	10⅛	10½	+⅜
9¼	7	AcmeE	.32b	4.4	15	14	7⅜	7¼	7¼	−⅛
21¾	17	AdaEx	1.90e	8.6		168	u22¼	21¾	22	+¼
33⅜	16	AdmMl	.40	1.3	13	9	29¾	29¾	29¾	−¼
20⅜	11⅞	AdvSys	.83t	5.1	15	55	16¼	16	16¼	
32⅞	14⅛	AMD				3892	19⅜	18⅝	19	
12⅝	5⅝	Adobe n				77	7	6¾	6⅞	
18⅝	13¾	Adob pf	1.84	12.		76	15	15	15	+¼
20¼	15¼	Adob pf	2.40	13.		22	18¼	18⅛	18¼	+⅛
18⅝	7⅜	Advest	.12a	.8	11	409	14⅜	13½	14⅜	+⅛
66¼	42½	AetnLf	2.64	4.1	11	5176	64⅝	61⅞	64¼	+2⅞
57¼	51½	AetL pf	4.28e	8.1		4	53⅛	53	53⅛	+⅛
101½	88¾	AetL pfC	2.78e	3.1		2	90¾	90¾	90¾	+1
28¾	9¾	Ahmnss	.46	1.8	8	3731	26⅛	25¼	26⅛	+1
5¾	2½	Alleen			83	99	4¼	4⅛	4⅛	−⅛
41⅝	25¾	AirPrd s	.80	2.4	60	1231	33⅜	32⅞	32⅞	
27¾	16	AirbFrt	.60	3.1	16	184	19½	19⅛	19⅛	

Continued on Page 29

NYSE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30½	20¼	ParkH s	.80	3.1	13	1160	25⅞	25⅜	25⅞	+⅝
4¾	2⅝	PatPtr s				74	3¼	3	3	−¼
18⅝	11⅝	PayNP	.64	4.2	16	223	15¼	14⅞	15⅛	
27½	13½	PayCsh	.16	.8	17	774	19⅞	19⅝	19⅝	−¼
⅜	7-32	Pengo				62	⅜	11-32	⅜	+1-32
62	45	PenCen			23	459	57½	56⅞	57¼	+⅜
86¾	46½	Penney 2.48		3.2	13	2790	78⅜	76½	77⅝	+1½
43⅝	23½	PaPL	2.56	6.2	15	2618	41½	41⅛	41¼	−⅛
53	35¾	PaPL	pf4.50	8.7		z310	52	51½	51½	−¾
30¼	25¼	PaPL	dpr2.90	9.9		20	29⅜	29⅛	29¼	+⅛
95¾	69	PaPL	pr8.40	8.9		z30	94	94	94	−1
111	102	PaPL	pr 13	12.		z20	110	110	110	+1
93	69½	PaPL	pr 8	8.7		z110	92	92	92	−1
98½	70¼	PaPL	pr8.70	9.0		z50	97	96¼	96¼	+¼
59	38	Penwlt 2.20		4.3		133	51⅛	51	51	
34¾	22⅝	Penw	pf1.60	5.2		15	31¼	30¾	31	−¼
61	44½	Pennzol 2.20		4.1	31	901	53⅝	52⅞	53½	+1¼
23¾	14⅞	PeopEn	1.32	5.7	10	482	23¼	22⅞	23	
48¼	21⅜	PepBoy	.22	.5	34	801	46⅝	45⅜	45¾	−1
35⅜	19⅛	PepsiCo	.64	2.0	21	6258	32½	31⅜	32½	+⅜
36⅞	23	PerkEl	.60	2.1	17	x1253	28⅝	28⅜	28⅝	+1⅜
8¼	6¾	Prmian	.84e	13.	6	2450	6⅝	6½	6⅝	
20⅞	12¾	PeryDr	.22	1.6	14	314	14	13¾	13⅞	
35¾	17⅞	Petrie s	.70	2.6	15	2718	27⅜	26⅛	26¾	−⅜
29⅞	22¾	PetRs	3.51e	12.		58	29¾	29⅛	29¾	+⅝
19	15⅞	PetRs	pf1.57	8.4		57	18⅞	18½	18¾	+¼
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
60¼	28⅛	WiscPL	2.96	5.1	14	101	58	57⅛	57½	+⅛
63	35¾	WiscPS	3	5.0	15	199	60⅝	60	60½	+¼
38½	22	Witco s	1.12	3.1	13	67	35⅞	35½	35⅝	
14	8⅛	WolvrW	.12j			535	10⅛	9⅝	9⅝	−[illegible]
49	23½	Wlwth s	1.12	2.5	15	2750	44¾	43½	44¼	+⅞
137	67	Wolw	pf2.20	1.8		3	125½	125½	125½	+3½
5⅝	3	WrldAr			2	105	4¾	4⅝	4¾	+⅛
19¾	19½	WrldVl n				161	19⅝	19½	19½	−¼
51	25½	Wrigly s	.96	1.9	22	208	50⅞	49	50	+¾
4⅛	1⅝	Wurltzr				10	1¾	1⅝	1¾	+⅛
17½	10½	WyleLb	.32	2.6	39	106	12⅞	12⅞	12⅞	
25¾	15	Wynns	.60	2.6		93	22¾	21⅞	22¾	+⅞

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72¼	45¾	Xerox	3	5.1	18	8668	58⅝	57⅜	58⅝	+1⅜
58¼	53½	Xerox	pf5.45	9.5		37	57¼	57⅛	57⅛	−⅛
28¾	20⅝	XTRA	.64	2.6		220	24¾	24¼	24⅝	+⅛
17⅝	13½	Yorkln n				298	15⅞	15⅝	15¾	−¼
39	26½	ZaleCp	1.40	3.9		126	36	35⅝	36	+⅝
9½	3¼	Zapata	.03i			284	3¾	3⅝	3¾	+¼
43⅞	23⅞	Zayre s	.32	1.1	19	3585	29¼	28½	28⅞	
17	11	Zemex	.40	3.7	11	35	11	d10¾	10⅞	−⅛
29⅞	16¼	ZenithE				761	25⅛	24¾	24¾	−⅛
18¼	6⅝	ZenLb s			25	1114	9¾	9½	9¾	
22⅜	14⅜	Zero s	.28	1.8	16	139	16¼	16⅛	16¼	−¼
45¾	32¾	Zurnln	1.32	3.4	14	142	38⅝	38¼	38½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 27

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Institutions back rise to near-peak

A SURGE of institutional buying, backed by futures-oriented buying programmes, drove Wall Street towards its all-time peak yesterday in the wake of prime rate cuts, *writes Terry Byland in New York.*

The Dow industrial average quickly recouped the fall of the previous session and moved above 1,900, last seen on the eve of the July 4 celebrations.

The strength of demand caught traders by surprise, and some sceptics questioned the market's underlying strength. Airline issues were enlivened by the Transportation Department's opposition to the proposed Texas Air-Eastern merger.

In its best daily gain since mid-June, the Dow Jones industrial average ended 32.48 points up at 1,904.25, only just short of its all-time high of 1,909.03, reached on July 2.

Futures-orientated buyers returned at the close, when federal bonds were at new highs for the cycle. NYSE turnover rocketed by about 50 per cent to 157.1m shares. The Dow transportation and utilities averages also rose strongly.

The oil sector provided one of the main props for the market's bullishness, following reports that drilling activity had begun to recover from its 50-year low. Schlumberger added $1 to $33½ in another heavy trading session, and also firmer were Reading & Bates, $¼ up at $2, and Hughes Tool up $⅝ at $9.

The institutions were buyers of the major oil producers. Exxon jumped $2½ to $67⅞. Half a million shares traded before lunch. Atlantic Richfield, at $57⅞, gained $1¾, and Chevron, at $44¼, put on $1⅛.

Ashland Oil, considering selling its stake in Ashland Coal, jumped $1¼ to $57⅛.

The prime rate cuts, led by Citicorp, Chase Manhattan, Wells Fargo and Continental Illinois, had been widely predicted and had little effect on bank stock prices. But the continued firmness in bonds, together with expectations of another reduction in federal discount rate before Christmas, kept interest-rate-orientated issues moving up.

Consolidated Edison, the New York state energy supplier, gained $1¼ to $52¼, and Pacific Gas and Electric $⅜ to $27¼.

A powerful lead for the market came from IBM, up $2⅛ at $141⅛ in heavy turnover, as Big Blue benefited both from futures-orientated buying and from brokerage recommendation.

Digital Equipment put on $1⅞ to $102 while other strong features on the computer sector were NCR, up $1⅜ at $54½, and Honeywell, up $1⅜ at $73. There was good turnover in Burroughs, newly merged with Sperry, but the stock lagged at $73¼, with a gain of $¼.

The major airlines edged up as the sector received another shakeup from the Transportation Department's rejection of Texas Air's planned bid for Eastern. Troubled Eastern dipped $¼ to $8¾, while Texas, briefly suspended, reopened at $29, down $1½.

People Express, still looking for a resolution to the problem at Frontier Air, edged up $⅜ to $5 on the over-the-counter market.

The sudden turn towards bullishness brought buyers back in for General Motors, a weak spot for the past week. At $73¾ GM regained $1⅝ while Ford gained $1⅛ to $62⅜ and Chrysler $1 to $41.

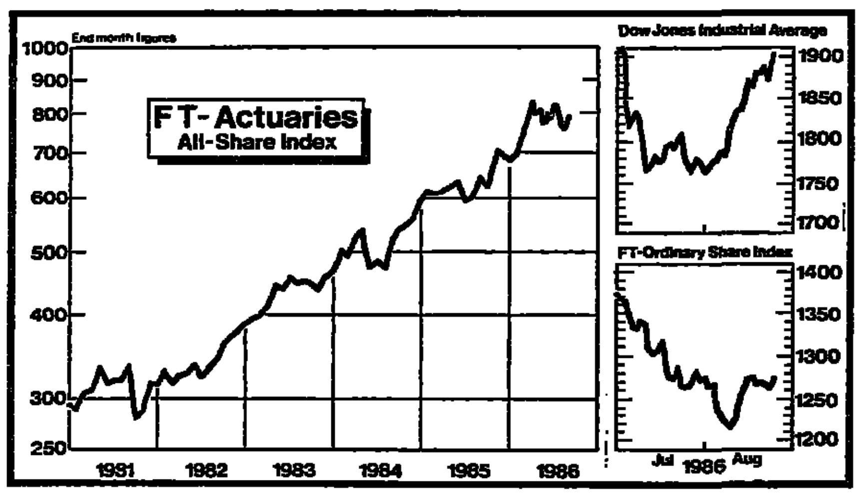
Gelco, the vehicle leasing group, which is offering to buy back up to 3m shares at $17 as part of a restructuring plan, jumped $3⅜ to $18½.

USX, awaiting further news on the plan by Mr Holmes à Court, the Australian investor, to take a stake, eased $⅛ to $18¾, still heavily traded. ICN Pharmaceuticals recouped $⅝ of this week's loss to reach $22⅞.

After a slow start, pharmaceutical and chemical stocks joined in the advance, Du Pont, up $2¾ to $83, Merck, up $1⅜ at $112⅝, Pfizer, up $1⅝ at $68⅝ and Bristol-Myers, up $1½ at $80⅞.

In the credit markets, bank certificates of deposit eased as prime rates were trimmed, but other near-term rates held steady behind federal funds at 5¾ per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	August 26	Previous	Year ago
NEW YORK			
DJ Industrials	1,904.25	1,871.77	1,317.65
DJ Transport	774.00	761.75	690.78
DJ Utilities	217.72	214.37	159.01
S&P Composite	252.84	248.91	187.31
LONDON			
FT Ord	1,276.6	closed	990.1
FT-SE 100	1,616.2	closed	1,310.8
FT-A All-share	798.38	closed	634.65
FT-A 500	877.07	closed	694.38
FT Gold mines	246.0	closed	306.8
FT-A Long gilt	9.42	closed	10.30
TOKYO			
Nikkei	18,640.83	18,565.61	12,651.8
Tokyo SE	1,552.45	1,548.42	1,013.90
AUSTRALIA			
All Ord.	1,179.3	1,179.2	942.0
Metals & Mins.	543.6	543.4	524.5
AUSTRIA			
Credit Aktien	239.15	239.35	198.15
BELGIUM			
Belgian SE	3,873.05	3,866.08	2,338.06
CANADA			
Toronto			
Metals & Minls	2,046.50	2,020.5	2,076
Composite	3,036.30	3,017.2	2,777.5
Montreal			
Portfolio	1,521.23	1,506.44	134.42
DENMARK			
SE	n/a	198.90	214.74
FRANCE			
CAC Gen	405.70	402.40	218.8
Ind. Tendance	155.00	154.30	80.6
WEST GERMANY			
FAZ-Aktien	691.72	696.85	486.06
Commerzbank	2,090.70	2,102.20	1,428.8
HONG KONG			
Hang Seng	1,917.00	closed	1,669.98
ITALY			
Banca Comm.	802.90	812.08	368.12
NETHERLANDS			
ANP-CBS Gen	292.80	293.70	217.4
ANP-CBS Ind	294.30	295.70	192.0
NORWAY			
Oslo SE	361.60	360.09	356.06
SINGAPORE			
Straits Times	805.79	813.79	751.21
SOUTH AFRICA			
JSE Golds	–	1,669.0	1,005.3
JSE Industrials	–	1,298.0	952.7
SPAIN			
Madrid SE	195.75	196.47	82.03
SWEDEN			
J & P	2,505.46	2,517.55	1,341.01
SWITZERLAND			
Swiss Bank Ind	557.40	561.50	472.1
WORLD	Aug 25	Prev	Year ago
MS Capital Int'l	355.8	354.7	219.3

COMMODITIES

(London)	Aug 26	Prev
Silver (spot fixing)	345.55p	closed
Copper (cash)	£873.25	closed
Coffee (Sept)	£2197.50	closed
Oil (Brent blend)	$14.15	closed

GOLD (per ounce)

	August 26	Prev
London	$382.375	closed
Zürich	$380.75	$380.25
Paris (fixing)	$380.02	$380.30
Luxembourg	$379.70	$377.70
New York (Dec)	$385.60	$385.10

CURRENCIES

(London)	US DOLLAR Aug 26	US DOLLAR Previous	STERLING Aug 26	STERLING Previous
$	–	–	1.4835	closed
DM	2.0495	closed	3.04	closed
Yen	154.95	closed	229.75	closed
FFr	6.715	closed	9.9625	closed
SFr	1.6520	closed	2.45	closed
Guilder	2.3125	closed	3.4325	closed
Lira	1,411.5	closed	2,094	closed
BFr	42.35	closed	62.85	closed
C$	1.3955	closed	2.0685	closed

INTEREST RATES

	Aug 26	Prev
Euro-currencies (3-month offered rate)		
£	9 5/16	9⅜
SFr	4 7/16	4 7/16
DM	4½	4 7/16
FFr	7½	7¾
FT London Interbank fixing (offered rate)		
3-month US$	5⅞	5 15/16
6-month US$	5⅞	5 15/16
US Fed Funds	5 13/16*	5⅞
US 3-month CDs	5.50*	5.825
US 3-month T-bills	5.285*	5.52

US BONDS

Treasury

		August 26 Price	August 26 Yield	Prev Price	Prev Yield
6⅛	1988	100 5/32	6.041	100 1/32	6.108
7¼	1993	102 27/32	6.745	102 4/32	6.853
7⅜	1996	102 24/32	6.961	102 5/32	7.062
7¼	2016	100 2/32	7.195	99 30/32	7.254

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Aug 26* Day's change	Yield	Day's change
1–30	157.76	+0.75	6.79	−0.08
1–10	149.73	+0.55	6.50	−0.09
1– 3	139.80	+0.30	6.13	−0.08
3– 5	152.35	+0.62	6.64	−0.10
15–30	186.70	+1.44	7.77	−0.07

Source: Merrill Lynch

Corporate	August 26* Price	August 26* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	91.125	6.53	91	6.53
SCBT South Central				
10⅞ Jan 1993	106.75	9.47	106⅝	9.472
Phibro-Sal				
8 April 1996	99.6254	8.05	99.625	8.05
TRW				
8¾ March 1996	101.933	8.45	101.933	8.45
Arco				
9⅞ March 2016	106.45	9.21	106¼	9.253
General Motors				
8⅛ April 2016	93	8.79	92.50	8.842
Citicorp				
9⅜ March 2016	106	9.375	99.5	8.425

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	100–22	101–28	101–15	101–10
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.82	94.87	94.81	94.81
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	94.44
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	94.14	94.15	94.09	94.02
20-year Notional Gilt £50,000 32nds of 100%				
Sept	121–31	122–00	120–31	121–07

* *Latest available figures*

EUROPE

Amsterdam resists the lower trend

PERSISTENT profit-taking eroded most recent gains on the European bourses yesterday although strong foreign demand surfaced late in the Netherlands.

Amsterdam opened on a weak note as many investors paused for thought ahead of the meeting tomorrow of the West German Bundesbank policy council which may decide to cut German interest rates. Dutch rates traditionally follow the course set by West German rates.

Strong foreign demand, pent-up by the Monday market holiday in Britain, appeared later in the day as the dollar firmed slightly. The dollar closed at Fl 2.3112 compared with a midday rate of Fl 2.3085.

Internationals, with the exception of Unilever, were actively higher. The Anglo-Dutch conglomerate, smelling victory in its bid for the fragrances group Naarden International, gave up 50 cents to Fl 515.50. Naarden fell Fl 4.70 to Fl 90.30.

Steel group Hoogovens jumped Fl 2.40 to Fl 70.20, which some analysts see as a critical support level.

Philips posted a 40-cent rise to Fl 55.10 while Royal Dutch closed Fl 1.80 stronger at Fl 203.80.

Pakhoed sprinted ahead in early trading but finished the day only Fl 1.50 higher at Fl 65.50 despite reporting a 30 per cent drop in six-month profits.

VNU finished 30 cents lower at Fl 346 despite early firmness. The newspaper publisher and printer expects a 10 per cent gain in total profit this year after showing a 13 per cent increase in the first half to Fl 41.5m.

Elsewhere in publishers Kluwer gained an early Fl 6 to Fl 282 while Elsevier reversed a mid-morning rise of Fl 4 to close Fl 2.50 down at Fl 237.

Banks, weak on Monday, recovered. ABN jumped Fl 5.50 to Fl 593 on the dollar's late rally although NMB shed Fl 1 to Fl 87.30.

Insurers lost ground with the exception of Stad Rotterdam, up Fl 2.40 to Fl 130. Amev dropped Fl 3.20 to Fl 75.60, and Aegon closed Fl 4 cheaper at Fl 101.80.

The mid-session calculation of the ANP-CBS General index, down 1.10 at 292.80, did not reflect later strength.

The bond market was little changed, with the CBS Bond index steady at 119.5 and the average yield on Dutch government bonds slightly lower at 5.79 per cent compared with 5.80 per cent.

Money market rates were mixed, with overnight funds down ⅛ to between 4⅞ and 5 per cent and three-month funds up 1/16 at 5 1/16 to 5 3/16 per cent.

Brussels opened lower and continued downwards all day under the pressure of profit-taking. The Belgian Stock Exchange index, retreating from its recently set peak, lost 29.03 to 3,837.05. Some concern over the future stability of the Government halted the strong foreign

Continued on Page 27

AUSTRALIA

NERVOUSNESS continued in Sydney, and the All Ordinaries index inched 0.1 lower to 1,179.2. The lack of institutional and foreign buying since the budget has weighed heavily on the market.

Speculation that the BHP battle might have been settled behind the scenes also dampened activity. BHP added 12 cents to A$7.89 after ending lower in the previous session while Bell Resources, Mr Holmes à Court's takeover vehicle, gained 6 cents to A$5.10 and parent company Bell Group rose 10 cents to A$10.50.

Mining group MIM, which bounced back into the black for the year to June 22, remained unchanged at A$1.75, and aluminium company Comalco rose 2 cents to A$2.42 as it announced a A$99m write-off on currency-exchange losses. Media group Fairfax was steady at A$5.76 amid news that it would buy Rydge Publications.

TOKYO

Turnover swells on rate hopes

TURNOVER swelled to the third-largest ever recorded in Tokyo as investors continued their buying run in anticipation of lower interest rates, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei market average of 225 select issues registered a 205-point upsurge at one point but closed 75.22 higher at 18,640.83 due to increased small-lot selling later in the session. Selection of large-capital stocks pushed up volume to 2.035bn shares, reaching 2bn shares for the third time this month. Retreats outnumbered advances 451 to 390, with 113 issues unchanged.

Institutional and individual investors were spurred to buy large-capital stocks massively for short-term profits on reports that the West German Bundesbank would shortly decide to reduce its official discount rate. They expected Japan to follow suit in view of the Government's monthly economic report stating that the Japanese economy had entered a downward phase.

The list of 10 most active stocks was made up of large-capital issues exclusively with their combined trading accounting for 66.5 per cent of total transactions. Trading was often suspended due to concentration on specific issues.

Nippon Steel topped the active list with 370.62m shares traded, adding Y14 to Y271, followed by Kawasaki Steel with 206.24m shares, Y15 up at Y279. Nippon Kokan gained Y8 to Y309, placing third with 163.18m shares, and Sumitomo Metal Industries Y9 to Y212 on the fourth-largest transactions of 149.84m shares. Mitsubishi Heavy Industries, fifth with 127.94m shares, jumped Y29 to Y656.

Heavy electricals remained popular, with Hitachi adding Y20 to Y1,060 and Mitsubishi Electric Y15 to Y520. Toshiba, which had led this sector, closed unchanged at Y695.

Utilities fell across a wide front. Tokyo Electric Power plunged Y160 to Y6,900, and Tokyo Gas lost Y28 to Y857. Investors had apparently grown cautious about continued rapid rises and the pick-up in crude oil prices, market observers said.

Trading houses drew buying on expectations of an interest-rate reduction, but selling in pursuit of profits increased toward the close. Mitsubishi finished Y20 higher at Y1,220 after briefly putting on Y70 while Mitsui ended Y7 up at Y790 after a Y32 gain.

Investors also sought budget-related stocks, expecting a large supplementary budget chiefly for public works. Kajima gained Y110 to Y1,270, Taisei Y70 to Y780 and Ohbayashi Y74 to Y948.

Bond prices opened lower but firmed as investors anticipated stimulatory measures by the Government in the wake of its admission of a business slump. The yield on the benchmark 6.2 per cent government bond due in July 1995 declined to 4.555 per cent

Trading, however, lacked enthusiasm. Many institutional investors, unsure about the future course of the market, sat on the sidelines, and only the dealing sections of banks and brokerage houses participated in the market.

HONG KONG

PESSIMISM about lower corporate results due to be announced over the next few weeks pushed Hong Kong lower as trading resumed after Monday's holiday.

The Hang Seng index dropped 29.03 to 1,917.00.

Lower-than-expected profits from Hang Seng Bank at the end of last week continued to weigh on the issue, pushing it HK$1.75 down to HK$33.50, while Hongkong and Shanghai Bank was off 5 cents at HK$6.95, ahead of earnings news which disclosed profits up 8 per cent for the first six months – lower than the expected 10 per cent rise.

Hongkong Electric, 20 cents down at HK$9.60, said profits for the first half were only 14 per cent higher, considerably below market expectations.

SINGAPORE

INITIAL FIRMNESS was jolted by news of a two-year prison sentence levied by the Singapore High Court on Malaysian businessman Tan Koon Swan. Fears of possible political repercussions sparked off nervous selling across a broad front.

Stocks recovered somewhat towards the close. Sime Darby ended up 4 cents at S$1.45 while Malayan Banking lost 8 cents at S$4.02.

United Overseas Land led the actives with 2.02m shares traded to close 1 cent lower at S$1.40. Singapore Press led the losers with a 25-cent drop to S$8.00.

Turnover increased to 26.5m units from 22.4m the previous day, and the Straits Times industrial index lost 7.90 to close at 805.89.

LONDON

Boosted by cheap money expectations

HOPES of lower lending rates overcame low holiday activity to push prices higher in London yesterday.

Oils climbed to new levels, following the trend set overnight on Wall Street. British Petroleum reached a high for the year when it closed up 14p at 657p after announcing another petrol price rise. The group is due to report second-quarter results tomorrow.

Insurers were also gainers, with GRE 16p higher at 860p, Royal Insurance 15p to 847p and Sun Alliance 16p to 710p.

The FT Ordinary share index settled up 5.4 at 1,276.6 while its sister index the FT-SE 100, closed 9.1 higher at 1,616.2.

Gilts opened down but recovered late in the session, and longer-dated stocks ended with gains stretching to ⅜.

Chief price changes, Page 27; Details Page 26; Share information service, Pages 24-25.

SOUTH AFRICA

SOME LATE profit-taking in Johannesburg dragged gold issues from their highs of the day, but market indices still ended at records.

Among blue-chip gold issues Vaal Reefs gained R5 to R327, but Southvaal dropped R1.50 to R146.50. Kloof rose 75 cents to R33, and Harmony advanced 25 cents to R46.50.

Platinums retreated, with Rustenburg dropping 75 cents to R54.50, while in diamonds De Beers was unchanged at R32.75.

Industrials were narrowly mixed with a slightly easier bias. Barlow Rand rose 20 cents to R19.50 while oil-from-coal producer Sasol shed 5 cents to R740.

CANADA

OILS advanced in concert with gains on Wall Street, but gold issues dragged shares down in active but mixed trading in Toronto.

Dome Petroleum added 1 cent to C$1.26 while Shell Canada improved C$⅜ to C$22¼. International Corona fell C$¼ to C$21¼, and Lac Minerals also gave up C$⅜ to C$24¼.

Oils, mines and industrials helped the market higher in Montreal.